

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

JUNE 30, 2009

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Keokuk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Wilson Davis Jr.	President	2009
Sandy Stark	Vice President	2008
Bruce Dunek	Board Member	2008
Tyler McGhghy	Board Member	2009
Julia Logan	Board Member	2009
Tom Gardner	Board Member	2010
Brent Gatton	Board Member	2010

Board of Education (After September 2008 Election)		
Wilson Davis Jr.	President	2009
Sandy Stark	Vice President	2011
Dave Barrett	Board Member	2011
Tyler McGhghy	Board Member	2009
Julia Logan	Board Member	2009
Tom Gardner	Board Member	2009 *
Brent Gatton	Board Member	2011 *

School Officials		
Jane Babcock	Superintendent (Resigned July 2008)	2009
Dr. Lora Wolff	Superintendent (Appointed July 2008)	2009
Greg Reynolds	District Secretary/Treasurer and Business Manager	2009
Nyemaster, Goode, Voigts, West, Hansell & O'Brien, P.C.	Attorney	2009
Dorsey & Whitney, LLP	Attorney	2009
James F. Dennis	Attorney	2009

* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Keokuk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District, Keokuk, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

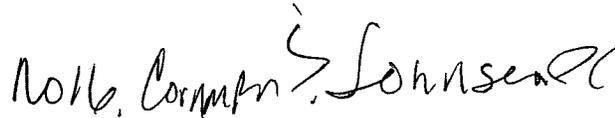
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2010 on our consideration of Keokuk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the

basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Keokuk Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for nine years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Keokuk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$20,411,274 in fiscal 2008 to \$20,459,244 in fiscal 2009, while General Fund expenditures increased from \$20,285,791 in fiscal 2008 to \$21,096,085 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$4,917,249 in fiscal 2008 to a balance of \$4,280,408 in fiscal 2009, a 12.95% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 23.45% for fiscal year 2008 to 19.55% for fiscal year 2009. Although the solvency ratio decreased, it is still above what the State School Budget Review Committee recommends which is a solvency ratio of 5% - 10%.
- The School Nutrition Fund provides services to the Midwest Academy consisting of three meals a day for each student attending. The District is closely monitoring this fund balance to ensure that chargeable costs are appropriate.
- Capital expenditures of \$1,260,550 were made from the Statewide Sales Tax and PPEL Funds for various projects throughout the District. These projects included \$782,286 for the High School fitness center, \$278,000 for George Washington roof replacement, \$81,000 for a new bus, \$39,353 for two transportation vehicles, \$66,959 for the architectural work for an expanded Hawthorne parking lot and renovations of Wright Fieldhouse, and \$12,952 for miscellaneous projects.
- The Special Education program fund balance ended fiscal year 2009 with a positive \$230,897 balance. This is an improvement from a deficit in the previous year which is associated with increased Medicaid revenues and reduced expenditures.
- The District received the Carol A. White physical education grant. This is a three year grant with \$347,457 being awarded for fiscal 2009, \$164,592 for 2010 and \$104,258 for 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keokuk Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keokuk Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

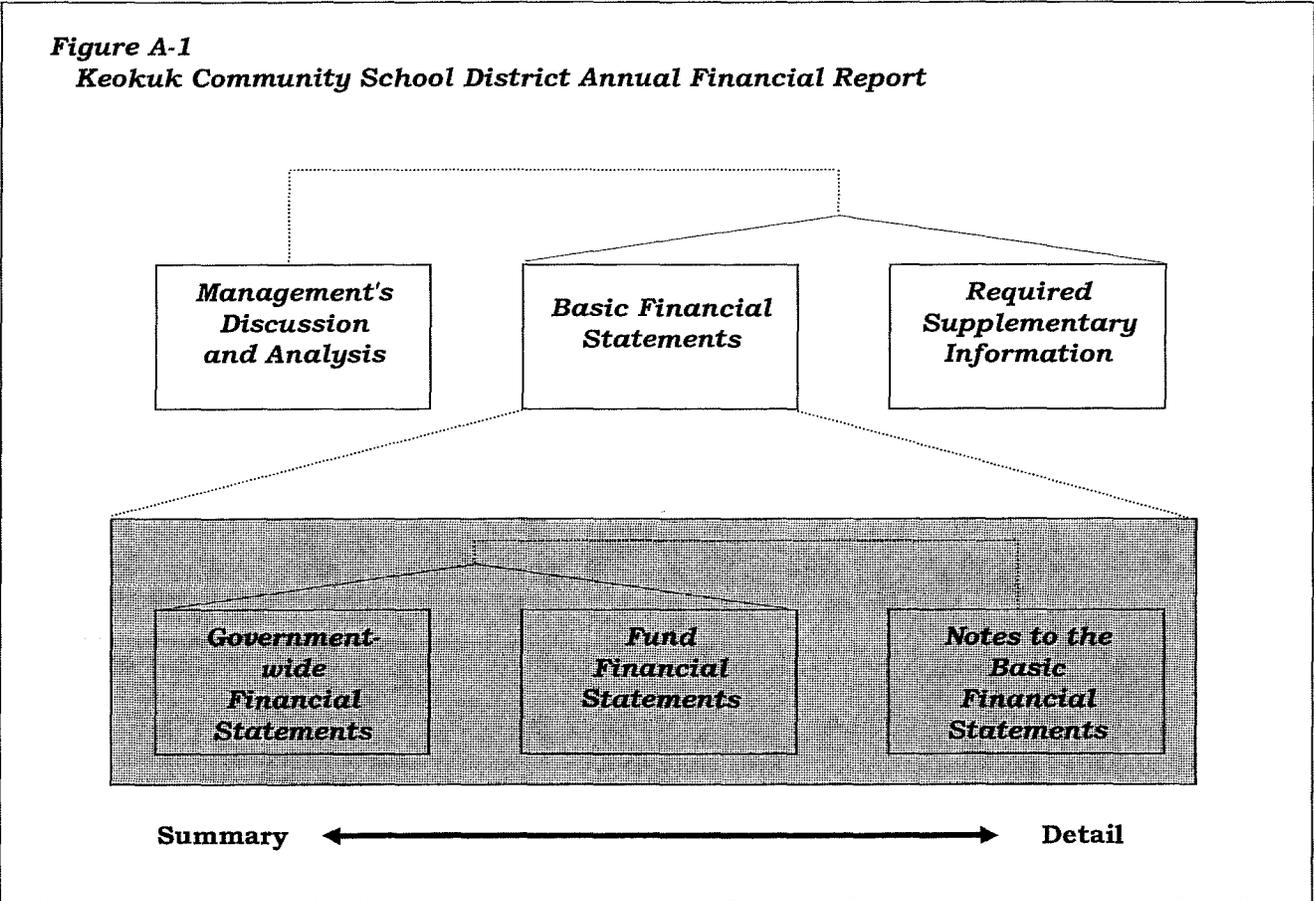


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 13,702,028	13,779,314	355,119	452,887	14,057,147	14,232,201	-1.23%
Capital assets	19,589,996	19,077,695	559,614	631,832	20,149,610	19,709,527	2.23%
Total assets	33,292,024	32,857,009	914,733	1,084,719	34,206,757	33,941,728	0.78%
Long-term obligations	7,096,581	7,654,383	8,877	0	7,105,458	7,654,383	-7.17%
Other liabilities	6,874,060	6,218,199	15,213	18,093	6,889,273	6,236,292	10.47%
Total liabilities	13,970,641	13,872,582	24,090	18,093	13,994,731	13,890,675	0.75%
Net assets:							
Invested in capital assets, net of related debt	14,130,689	12,597,299	559,614	631,832	14,690,303	13,229,131	11.05%
Restricted	2,519,399	2,527,529	0	0	2,519,399	2,527,529	-0.32%
Unrestricted	2,671,295	3,859,599	331,029	434,794	3,002,324	4,294,393	-30.09%
Total net assets	\$ 19,321,383	18,984,427	890,643	1,066,626	20,212,026	20,051,053	0.80%

The District's combined net assets increased by 0.80% or \$160,973 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$8,130 or 0.32% over the prior year. The decrease was primarily a result the decrease in the Capital Projects fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$1,292,069 or 30.09%. This decrease in unrestricted net assets was a result of the District's decrease in Nutrition Fund balance as well as the decrease in General Fund balance. The District's recording of the net OPEB liability as a result of implementation of GASB 45 also led to the decrease in unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 738,415	809,058	688,861	837,965	1,427,276	1,647,023	-13.34%
Operating grants and contributions and restricted interest	4,092,487	3,782,247	580,327	544,369	4,672,814	4,326,616	8.00%
Capital grants and contributions and restricted interest	22,104	12,428	0	0	22,104	12,428	77.86%
General revenues:							
Property tax	5,913,162	5,990,912	0	0	5,913,162	5,990,912	-1.30%
Statewide sales and service tax	1,703,194	1,615,803	0	0	1,703,194	1,615,803	5.41%
Unrestricted state grants	11,085,168	11,089,409	0	0	11,085,168	11,089,409	-0.04%
Other	225,715	348,649	19,443	21,276	245,158	369,925	-33.73%
Total revenues	23,780,245	23,648,506	1,288,631	1,403,610	25,068,876	25,052,116	0.07%
Program expenses:							
Governmental activities:							
Instructional	15,406,414	14,149,474	0	0	15,406,414	14,149,474	8.88%
Support services	6,201,398	6,041,985	14,784	13,290	6,216,182	6,055,275	2.66%
Non-instructional programs	255,834	445,944	1,449,830	1,644,677	1,705,664	2,090,621	-18.41%
Other expenses	1,579,643	1,550,622	0	0	1,579,643	1,550,622	1.87%
Total expenses	23,443,289	22,188,025	1,464,614	1,657,967	24,907,903	23,845,992	4.45%
Changes in net assets	336,956	1,460,481	(175,983)	(254,357)	160,973	1,206,124	-86.65%
Net assets beginning of year	18,984,427	17,523,946	1,066,626	1,320,983	20,051,053	18,844,929	6.40%
Net assets end of year	\$ 19,321,383	18,984,427	890,643	1,066,626	20,212,026	20,051,053	0.80%

In fiscal 2009, property tax, local option (statewide) sales and services tax and unrestricted state grants account for 78.64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.49% of the revenue from business type activities.

The District's total revenues were approximately \$25.07 million, of which \$23.78 million was for governmental activities and approximately \$1.29 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.07% increase in revenues and a 4.45% increase in expenses. Statewide sales tax increased by \$87,391 to fund increases in expenditures. The increases in expenses were related to increases in negotiated salaries and benefits expenses as well as increases in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$23,780,245 and expenses were \$23,443,289.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 15,406,414	14,149,474	8.88%	11,519,165	10,641,479	8.25%
Support services	6,201,398	6,041,985	2.64%	6,165,572	6,010,726	2.58%
Non- instructional programs	255,834	445,944	-42.63%	157,627	169,422	-6.96%
Other expenses	1,579,643	1,550,622	1.87%	747,919	762,665	-1.93%
Total	<u>\$ 23,443,289</u>	<u>22,188,025</u>	<u>5.66%</u>	<u>18,590,283</u>	<u>17,584,292</u>	<u>5.72%</u>

- The cost financed by users of the District's programs was \$738,415.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,114,591.
- The net cost of governmental activities was financed with \$5,913,162 in property tax, \$1,703,194 in local option (statewide) sales and service tax, \$11,085,168 in unrestricted state grants, \$81,963 in interest income and \$143,752 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$1,288,631 and expenses were \$1,464,614. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$6,844,700, compared to last year's ending fund balances of \$7,580,923. However, the primary reason for the decrease was the decrease in the Capital Projects Fund balance as well as the decrease in General Fund balance.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors.
 - Although General Fund revenues increased as compared to the previous year, the increase was not enough to offset the increase in General Fund expenditures, thus ensuring the decline in General Fund balance.
 - The District actually received \$93,890 more in state sources and \$383,016 in federal sources during fiscal 2009. The increase in federal sources was mainly a result of the funding received by the District under the American Recovery and Reinvestment Act.
 - Instructional expenditures increased \$795,185 in FY09. A portion of this increase is due to the increases in the employees' salaries and benefits.
- The Management Levy Fund balance increased to \$325,305 during the current year. The Management Levy Fund is used primarily to pay the District's property insurance as well as early retirement benefits received by District employees.

- The Capital Projects fund balance decreased to \$202,809 during the current year. Expenditures increased as construction on the George Washington Elementary Roofing Project and the Fitness Center addition at the High School were completed during the year.

Proprietary Fund Highlights

As discussed earlier, the School Nutrition Fund net assets decreased \$175,983. The change in net assets associated with the serving of the District's students was minimal.

BUDGETARY HIGHLIGHTS

Over the course of the year, Keokuk Community School District amended its annual budget one time to reflect expenditures associated with the increases in instruction and construction costs.

The District's revenues were \$890,490 less than budgeted revenues, a variance of 3.44%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$20,149,610, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.23% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$886,490.

The original cost of the District's capital assets was \$33,995,985. Governmental funds account for \$33,070,621 with the remainder of \$925,364 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$33,314 at June 30, 2008, compared to \$53,209 reported at June 30, 2009. This increase resulted from current year construction projects not yet completed.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 870,063	902,602	0	0	870,063	902,602	-3.61%
Construction in progress	53,209	33,314	0	0	53,209	33,314	59.72%
Buildings	17,390,252	16,823,539	0	0	17,390,252	16,823,539	3.37%
Land improvements	358,166	403,655	0	0	358,166	403,655	-11.27%
Machinery and equipment	918,306	914,585	559,614	631,832	1,477,920	1,546,417	-4.43%
Total	\$ 19,589,996	19,077,695	559,614	631,832	20,149,610	19,709,527	2.23%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$7,105,458 in general obligation bonds, revenue bonds and other long-term debt. This represents a decrease of 7.17% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$5,360,000 at June 30, 2009.

The District also had outstanding Revenue Bonds payable from the Capital Projects Fund of \$99,307 at June 30, 2009. Fiscal year 2010 will be the final payment of principal and interest on the revenue bonds.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,247,202 at June 30, 2009.

The District had outstanding compensated absences payable from the General Fund of \$195,100 at June 30, 2009.

The District had a net OPEB liability of \$194,972 in the governmental activities and \$8,877 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 5,360,000	5,805,000	0	0	5,360,000	5,805,000	-7.67%
Revenue bonds	99,307	675,396	0	0	99,307	675,396	-85.30%
Early retirement	1,247,202	1,020,106	0	0	1,247,202	1,020,106	22.26%
Compensated absences	195,100	153,881	0	0	195,100	153,881	26.79%
Net OPEB obligation	194,972	0	8,877	0	203,849	0	100.00%
Total	\$ 7,096,581	7,654,383	8,877	0	7,105,458	7,654,383	-7.17%

ECONOMIC 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 has experienced several years on declining enrollment and the trend is projected to continue for the near future. The October 2008 count resulted in a decrease of 85.5 students.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Keokuk Community Schools employer benefit costs over the next four years.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

-
- Low allowable growth over several years and enrollment trends impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
 - Continued budget concerns at state level will affect future projections. The District has experienced a decline in taxable valuations in recent years and has forced a shift in funding between state aid and property taxes.

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 Gregory Reynolds, District Board Secretary/Business Manager, Keokuk Community School District, 727 Washington Street, Keokuk, Iowa, 52632.

BASIC FINANCIAL STATEMENTS

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 6,601,269	256,808	6,858,077
Receivables:			
Property tax:			
Delinquent	130,160	0	130,160
Succeeding year	6,188,875	0	6,188,875
Accounts	4,689	79,343	84,032
Due from other governments	777,035	2,378	779,413
Inventories	0	16,590	16,590
Capital assets, net of accumulated depreciation	19,589,996	559,614	20,149,610
Total Assets	33,292,024	914,733	34,206,757
Liabilities			
Accounts payable	311,222	3,375	314,597
Interest payable	16,732	0	16,732
Deferred revenue:			
Succeeding year property tax	6,188,875	0	6,188,875
Other	357,231	0	357,231
Unearned revenue	0	11,838	11,838
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	460,000	0	460,000
Revenue bonds	99,307	0	99,307
Early retirement	542,981	0	542,981
Compensated absences	195,100	0	195,100
Portion due after one year:			
General obligation bonds	4,900,000	0	4,900,000
Early retirement	704,221	0	704,221
Net OPEB liability	194,972	8,877	203,849
Total Liabilities	13,970,641	24,090	13,994,731
Net Assets			
Invested in capital assets, net of related debt	14,130,689	559,614	14,690,303
Restricted for:			
Debt service	121,686	0	121,686
Categorical funding	280,412	0	280,412
Capital projects	1,701,197	0	1,701,197
Physical plant and equipment levy	319,659	0	319,659
Other special revenue purposes	96,445	0	96,445
Unrestricted	2,671,295	331,029	3,002,324
Total Net Assets	\$ 19,321,383	890,643	20,212,026

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 9,664,580	272,721	2,677,407	0	(6,714,452)	0	(6,714,452)
Special	3,431,534	18,276	523,933	0	(2,889,325)	0	(2,889,325)
Other	2,310,300	394,912	0	0	(1,915,388)	0	(1,915,388)
	15,406,414	685,909	3,201,340	0	(11,519,165)	0	(11,519,165)
Support services:							
Student	721,747	0	0	0	(721,747)	0	(721,747)
Instructional staff	546,616	0	0	0	(546,616)	0	(546,616)
Administration	2,550,966	0	0	0	(2,550,966)	0	(2,550,966)
Operation and maintenance of plant	1,846,194	0	0	22,104	(1,824,090)	0	(1,824,090)
Transportation	535,875	6,660	7,062	0	(522,153)	0	(522,153)
	6,201,398	6,660	7,062	22,104	(6,165,572)	0	(6,165,572)
Non-instructional program:							
Community service and education operations	255,834	45,846	52,361	0	(157,627)	0	(157,627)
Other expenditures:							
Long-term debt interest	220,361	0	0	0	(220,361)	0	(220,361)
AEA flowthrough	831,724	0	831,724	0	0	0	0
Depreciation (unallocated)*	527,558	0	0	0	(527,558)	0	(527,558)
	1,579,643	0	831,724	0	(747,919)	0	(747,919)
Total governmental activities	23,443,289	738,415	4,092,487	22,104	(18,590,283)	0	(18,590,283)
Business type activities:							
Support services:							
Operation and maintenance of plant	14,784	0	0	0	0	(14,784)	(14,784)
Non-instructional programs:							
Food service operations	1,449,830	688,861	580,327	0	0	(180,642)	(180,642)
Total business type activities	1,464,614	688,861	580,327	0	0	(195,426)	(195,426)
Total	\$ 24,907,903	1,427,276	4,672,814	22,104	(18,590,283)	(195,426)	(18,785,709)
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,407,575	0	5,407,575	
Debt service				388,605	0	388,605	
Capital outlay				116,982	0	116,982	
Statewide sales and service tax				1,703,194	0	1,703,194	
Unrestricted state grants				11,085,168	0	11,085,168	
Unrestricted investment earnings				81,963	3,558	85,521	
Other general revenues				143,752	15,885	159,637	
Total general revenues				18,927,239	19,443	18,946,682	
Changes in net assets				336,956	(175,983)	160,973	
Net assets beginning of year				18,984,427	1,066,626	20,051,053	
Net assets end of year				\$ 19,321,383	890,643	20,212,026	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Management Levy Fund	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 4,261,932	312,538	1,492,130	534,669	6,601,269
Receivables:					
Property tax:					
Delinquent	105,130	12,767	0	12,263	130,160
Succeeding year	4,931,518	750,000	0	507,357	6,188,875
Accounts	4,689	0	0	0	4,689
Due from other governments	524,422	0	252,613	0	777,035
Total Assets	\$ 9,827,691	1,075,305	1,744,743	1,054,289	13,702,028
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 258,534	0	43,546	9,142	311,222
Deferred revenue:					
Succeeding year property tax	4,931,518	750,000	0	507,357	6,188,875
Other	357,231	0	0	0	357,231
Total liabilities	5,547,283	750,000	43,546	516,499	6,857,328
Fund balances:					
Reserved for:					
Debt service	0	0	0	121,686	121,686
Categorical funding	280,412	0	0	0	280,412
Unreserved	3,999,996	325,305	1,701,197	416,104	6,442,602
Total fund balances	4,280,408	325,305	1,701,197	537,790	6,844,700
Total Liabilities and Fund Balances	\$ 9,827,691	1,075,305	1,744,743	1,054,289	13,702,028

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 16) \$ 6,844,700

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 19,589,996

Accrued interest payable in long-term liabilities is not
 due and payable in the current period and, therefore,
 is not reported as a liability in the governmental funds. (16,732)

Long-term liabilities, including bonds payable, compensated
 absences payable, early retirement and other postemployment
 benefits are not due and payable in the current period and,
 therefore, are not reported as liabilities in the
 governmental funds. (7,096,581)

Net assets of governmental activites (page 14) \$ 19,321,383

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Management	Capital Projects	Other	Total
		Levy Fund		Nonmajor Governmental Funds	
Revenues:					
Local sources:					
Local tax	\$ 4,822,003	585,572	1,703,194	505,587	7,616,356
Tuition	259,809	0	0	0	259,809
Other	224,803	35,057	16,793	400,020	676,673
State sources	13,491,287	0	0	0	13,491,287
Federal sources	1,634,007	0	0	0	1,634,007
Total revenues	20,431,909	620,629	1,719,987	905,607	23,678,132
Expenditures:					
Current:					
Instruction:					
Regular	8,916,907	363,501	0	0	9,280,408
Special	3,399,390	0	0	0	3,399,390
Other	1,897,219	0	0	385,681	2,282,900
	14,213,516	363,501	0	385,681	14,962,698
Support services:					
Student	764,108	0	0	0	764,108
Instructional staff	549,095	0	0	0	549,095
Administration	2,373,925	30,625	0	1,906	2,406,456
Operation and maintenance of plant	1,687,348	129,240	0	0	1,816,588
Transportation	421,611	38,837	0	120,353	580,801
	5,796,087	198,702	0	122,259	6,117,048
Non-instructional programs:					
Community service and education operations	254,758	0	0	0	254,758
Other expenditures:					
Facilities acquisitions	0	0	1,061,000	115,936	1,176,936
Long-term debt:					
Principal	0	0	0	1,021,089	1,021,089
Interest and fiscal charges	0	0	0	223,437	223,437
AEA flowthrough	831,724	0	0	0	831,724
	831,724	0	1,061,000	1,360,462	3,253,186
Total expenditures	21,096,085	562,203	1,061,000	1,868,402	24,587,690
Excess(deficiency) of revenues over(under) expenditures	(664,176)	58,426	658,987	(962,795)	(909,558)
Other financing sources(uses):					
Transfers in	0	0	0	861,796	861,796
Transfers out	0	0	(861,796)	0	(861,796)
Proceeds from disposal of property	27,335	0	0	146,000	173,335
Total other financing sources(uses)	27,335	0	(861,796)	1,007,796	173,335
Net change in fund balances	(636,841)	58,426	(202,809)	45,001	(736,223)
Fund balance beginning of year	4,917,249	266,879	1,904,006	492,789	7,580,923
Fund balance end of year	\$ 4,280,408	325,305	1,701,197	537,790	6,844,700

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ (736,223)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

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

Capital expenditures	\$ 1,397,795	
Depreciation expense	(814,272)	
Loss on disposal of assets	<u>(71,222)</u>	512,301

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 1,021,089

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,076

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 fund.

Early retirement	\$ (227,096)	
Compensated absences	(41,219)	
Other postemployment benefits	<u>(194,972)</u>	<u>(463,287)</u>

Changes in net assets of governmental activities (page 15) \$ 336,956

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 256,808
Accounts receivable	79,343
Due from other governments	2,378
Inventories	16,590
Total current assets	355,119
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	559,614
Total non-current assets	559,614
TOTAL ASSETS	914,733
LIABILITIES	
Current liabilities:	
Accounts payable	3,375
Unearned revenue	11,838
Total current liabilities	15,213
Long-term liabilities:	
Net OPEB liability	8,877
Total long-term liabilities	8,877
TOTAL LIABILITIES	24,090
NET ASSETS	
Invested in capital assets	559,614
Unrestricted	331,029
TOTAL NET ASSETS	\$ 890,643

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 688,861
Miscellaneous	15,885
Total operating revenues	704,746
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	3,031
Supplies	11,753
	14,784
Non-instructional programs:	
Food service operations:	
Salaries	469,180
Benefits	177,767
Services	8,911
Supplies	721,754
Depreciation	72,218
	1,449,830
Total operating expenses	1,464,614
Operating loss	(759,868)
Non-operating revenues:	
State sources	9,656
Federal sources	570,671
Interest income	3,558
Total non-operating revenues	583,885
Change in net assets	(175,983)
Net assets beginning of year	1,066,626
Net assets end of year	\$ 890,643

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 701,027
Cash received from miscellaneous operating activities	15,885
Cash payments to employees for services	(638,070)
Cash payments to suppliers for goods or services	(698,810)
Net cash used in operating activities	(619,968)
Cash flows from non-capital financing activities:	
Interfund loan received from the General Fund	620
State grants received	9,656
Federal grants received	510,426
Net cash provided by non-capital financing activities	520,702
Cash flows from investing activities:	
Interest on investments	3,558
Net decrease in cash and cash equivalents	(95,708)
Cash and cash equivalents at beginning of year	352,516
Cash and cash equivalents at end of year	\$ 256,808
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (759,868)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	58,256
Depreciation	72,218
Increase in inventories	(9,069)
Decrease in accounts receivables	12,498
Decrease in accounts payable	(2,548)
Decrease in unearned revenue	(332)
Increase in other postemployment benefits	8,877
Net cash used in operating activities	\$ (619,968)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$58,256.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 105,537
Liabilities	<u>0</u>
Net Assets	
Reserved for scholarships	<u>\$ 105,537</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 836
Interest income	3,639
TOTAL ADDITIONS	<u>4,475</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarship awarded	<u>4,025</u>
Change in net assets	450
Net assets beginning of year	<u>105,087</u>
Net assets end of year	<u>\$ 105,537</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Keokuk 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 Keokuk, Iowa, and the predominate agricultural territory in Lee Counties. 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, Keokuk 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. The Keokuk 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 do 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 Lee County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

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

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

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

The District reports the following major proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

D. Assets, Liabilities and Fund Balances

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. 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.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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 assets.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 7,507,946

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 861,796

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 925,364	0	0	925,364
Less accumulated depreciation	293,532	72,218	0	365,750
Business type activities capital assets, net	\$ 631,832	(72,218)	0	559,614

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 902,602	0	32,539	870,063
Construction in progress	33,314	53,209	33,314	53,209
Total capital assets not being depreciated	935,916	53,209	65,853	923,272
Capital assets being depreciated:				
Buildings	24,796,190	1,099,495	153,126	25,742,559
Land improvements	1,191,213	0	54,961	1,136,252
Machinery and equipment	5,050,087	310,944	92,493	5,268,538
Total capital assets being depreciated	31,037,490	1,410,439	300,580	32,147,349
Less accumulated depreciation for:				
Buildings	7,972,651	481,988	102,332	8,352,307
Land improvements	787,558	45,804	55,276	778,086
Machinery and equipment	4,135,502	286,480	71,750	4,350,232
Total accumulated depreciation	12,895,711	814,272	229,358	13,480,625
Total capital assets being depreciated, net	18,141,779	596,167	71,222	18,666,724
Governmental activities capital assets, net	\$ 19,077,695	649,376	137,075	19,589,996

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 144,419
Other		26,250
Support services:		
Student services		4,545
Administration services		13,314
Operation and maintenance of plant services		24,955
Transportation		73,231
		286,714
Unallocated depreciation		527,558
Total governmental activities depreciation expense		\$ 814,272
Business type activities:		
Food services		\$ 72,218

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,805,000	0	445,000	5,360,000	460,000
Revenue bonds	675,396	0	576,089	99,307	99,307
Early retirement	1,020,106	475,785	248,689	1,247,202	542,981
Compensated absences	153,881	195,100	153,881	195,100	195,100
Net OPEB liability	0	194,972	0	194,972	0
Total	\$ 7,654,383	865,857	1,423,659	7,096,581	1,297,388
Business Type Activities:					
Net OPEB liability	\$ 0	8,877	0	8,877	0

General Obligation Bonds Payable

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue March 24, 2003				
	Interest Rate	Principal	Interest	Total	
2010	3.25	% \$ 460,000	196,726	656,726	
2011	3.30	475,000	181,776	656,776	
2012	3.40	490,000	166,100	656,100	
2013	3.50	510,000	149,440	659,440	
2014	3.60	525,000	131,590	656,590	
2015-2019	3.70-4.00	2,900,000	351,020	3,251,020	
Total		\$ 5,360,000	1,176,652	6,536,652	

Revenue Bonds Payable

Details of the District's June 30, 2009 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of December 14, 2006			
	Interest Rates	Principal	Interest	Total
2010	4.90 % \$	99,307	1,358	100,665

The District has pledged future local option (statewide) sales and services tax revenues to repay \$675,396 in revenue bonds issued in December 2006. The bonds were issued for the purpose of financing capital facility construction. The revenue bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2010. The revenue bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the bonds is \$100,665. For the current year, principal of \$576,089 and interest of \$13,362 was paid on the revenue bonds and total local option (statewide) sales and services tax revenues were \$1,703,194.

Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is governed by the Master Contract between the District and the Keokuk Education Association. Early retirement benefits paid for the year ended June 30, 2009 totaled \$248,689.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary for the years ended June 30, 2008 and June 30, 2009. Plan members were required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered salary for the year ended June 30, 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$847,017, \$781,103 and \$691,064, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 305 active and 43 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. The dental benefit is administered by the Iowa School Employees Benefits Association. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 477,429
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>477,429</u>
Contributions made	<u>(273,580)</u>
Increase in net OPEB obligation	203,849
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u>\$ 203,849</u>

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

For fiscal year 2009, the District contributed \$273,580 to the medical plan. Plan members receiving benefits contributed \$33,300, or 11% of the premium costs.

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

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$477,429	57.30%	\$203,849

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$4.104 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.104 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.837 million, and the ratio of the UAAL to the covered payroll was 34.67%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are 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 July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from recent experience of the Keokuk Community School District and applying the termination factors based upon national termination studies performed by the National Society of Actuaries.

Projected claim costs of the medical plan are \$523 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. The District currently has dental insurance only through the Association.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 were \$2,179,684.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$831,724 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Homeschool assistance program	\$ 96,902
Talented and gifted	26,957
Four-year-old preschool	44,682
Beginning teacher mentoring	60
Beginning administrator mentoring	1,500
Textbook aid for non-public students	202
Model core curriculum	12,784
Professional development	84,508
Market factor incentives	12,817
Total	<u>\$ 280,412</u>

(11) Construction Commitment

The District has entered into various contracts for District improvements. As of June 30, 2009, costs of \$53,209 had been incurred against the contracts. Upon completion of the projects, construction costs will be added to the District's fixed asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

KEOKUK COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,552,838	708,304	9,261,142	9,913,548	9,913,548	(652,406)
Intermediate sources	0	0	0	225,000	225,000	(225,000)
State sources	13,491,287	9,656	13,500,943	13,993,705	13,993,705	(492,762)
Federal sources	1,634,007	570,671	2,204,678	1,725,000	1,725,000	479,678
Total revenues	23,678,132	1,288,631	24,966,763	25,857,253	25,857,253	(890,490)
Expenditures/Expenses:						
Instruction	14,962,698	0	14,962,698	14,445,000	14,995,000	32,302
Support services	6,117,048	14,784	6,131,832	6,725,200	6,725,200	593,368
Non-instructional programs	254,758	1,449,830	1,704,588	2,300,000	2,300,000	595,412
Other expenditures	3,253,186	0	3,253,186	3,598,191	3,998,191	745,005
Total expenditures/expenses	24,587,690	1,464,614	26,052,304	27,068,391	28,018,391	1,966,087
Excess(deficiency) of revenues over(under) expenditures/expenses	(909,558)	(175,983)	(1,085,541)	(1,211,138)	(2,161,138)	1,075,597
Other financing sources, net	173,335	0	173,335	1,500	1,500	174,835
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(736,223)	(175,983)	(912,206)	(1,209,638)	(2,159,638)	1,250,432
Balance beginning of year	7,580,923	1,066,626	8,647,549	7,441,700	7,441,700	1,205,849
Balance end of year	\$ 6,844,700	890,643	7,735,343	6,232,062	5,282,062	2,456,281

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, the District adopted one budget amendment increasing total expenditures by \$950,000.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$4,104	\$4,104	0.0%	\$11,837	34.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
Assets					
Cash and pooled investments	\$ 105,587	316,822	422,409	112,260	534,669
Receivables:					
Property tax:					
Current year delinquent	0	2,837	2,837	9,426	12,263
Succeeding year	0	120,544	120,544	386,813	507,357
Total Assets	\$ 105,587	440,203	545,790	508,499	1,054,289
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,142	0	9,142	0	9,142
Deferred revenue:					
Succeeding year property tax	0	120,544	120,544	386,813	507,357
Total liabilities	9,142	120,544	129,686	386,813	516,499
Fund balances:					
Reserved for debt service	0	0	0	121,686	121,686
Unreserved fund balances	96,445	319,659	416,104	0	416,104
Total fund balances	96,445	319,659	416,104	121,686	537,790
Total Liabilities and Fund Balances	\$ 105,587	440,203	545,790	508,499	1,054,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds		
REVENUES:					
Local sources:					
Local tax	\$ 0	116,982	116,982	388,605	505,587
Other	373,295	24,489	397,784	2,236	400,020
TOTAL REVENUES	373,295	141,471	514,766	390,841	905,607
EXPENDITURES:					
Current:					
Instruction:					
Other	380,681	5,000	385,681	0	385,681
Support services:					
Administration	0	0	0	1,906	1,906
Transportation	0	120,353	120,353	0	120,353
Other expenditures:					
Facilities acquisitions	0	115,936	115,936	0	115,936
Long-term debt:					
Principal	0	0	0	1,021,089	1,021,089
Interest and fiscal charges	0	0	0	223,437	223,437
TOTAL EXPENDITURES	380,681	241,289	621,970	1,246,432	1,868,402
Deficiency of revenues under expenditures	(7,386)	(99,818)	(107,204)	(855,591)	(962,795)
Other financing sources:					
Transfers in	0	0	0	861,796	861,796
Sale of property	0	146,000	146,000	0	146,000
Total other financing sources	0	146,000	146,000	861,796	1,007,796
Change in fund balances	(7,386)	46,182	38,796	6,205	45,001
Fund balances beginning of year	103,831	273,477	377,308	115,481	492,789
Fund balances end of year	\$ 96,445	319,659	416,104	121,686	537,790

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS interest earned	\$ 52	0	0	52
HS drama	1,608	5,301	1,608	5,301
HS speech	1,455	3,649	4,262	842
HS show choir	3,923	12,888	16,100	711
HS vocal music	484	3,152	3,628	8
HS instrument music	1,236	3,648	4,538	346
HS winterguard	1,060	1,991	2,727	324
HS tournaments	1,817	13,107	14,924	0
HS booster resale	0	39,915	35,994	3,921
HS cross country	927	1,233	1,397	763
HS boys basketball	596	7,571	7,698	469
HS football	0	24,149	22,168	1,981
HS soccer	3,373	2,081	4,739	715
HS baseball	26	6,332	5,318	1,040
HS boys track	1,070	4,007	4,609	468
HS boys tennis	1,986	186	1,809	363
HS boys golf	1,579	240	1,119	700
HS wrestling	3,653	5,437	7,574	1,516
HS girls basketball	5,229	7,654	11,958	925
HS volleyball	840	3,285	3,257	868
HS girls soccer	1,495	2,309	2,805	999
HS softball	1,554	6,922	6,912	1,564
HS girls track	5,817	2,039	7,845	11
HS girls tennis	670	846	1,171	345
HS girls golf	764	310	992	82
HS girls swimming	1,090	3,290	3,331	1,049
HS yearbook	3,368	7,616	0	10,984
HS general	457	1,684	2,134	7
HS FHA	743	0	743	0
HS student newspaper	0	1,851	1,640	211
HS fallon student	2,514	0	0	2,514
HS science	930	16,397	16,343	984
HS student council	3,112	3,462	4,349	2,225
HS national honor society	572	1,990	1,660	902
HS french club	1,558	456	562	1,452
HS spanish club	1,585	664	675	1,574
HS class of 2008	1,915	130	2,045	0
HS class of 2009	2,161	1,009	3,011	159
HS class of 2010	2,641	5,204	5,510	2,335
HS class of 2011	1,194	3,211	1,175	3,230
HS class of 2012	250	412	69	593

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS special education club	427	116	194	349
HS friends of rachel club	175	300	0	475
HS athletics	2,769	12,052	12,838	1,983
HS special athletics	147	0	0	147
HS weight room	2,625	9,320	(338)	12,283
HS student activity	3,001	23,465	26,466	0
HS concessions	780	59,867	60,560	87
HS little feather	1,810	15,849	14,476	3,183
HS cheerleaders	2,491	7,127	6,853	2,765
HS special needs friends	932	0	773	159
HS bowling	1,813	780	1,753	840
HS gaming	0	208	193	15
HS jets	600	0	600	0
HS learning center	2,490	401	788	2,103
HS SADD	189	0	189	0
MS vocal music	4,046	0	857	3,189
MS instrument music	1,242	458	846	854
MS cross country	150	0	150	0
MS boys basketball	213	2,636	2,849	0
MS football	0	2,742	2,742	0
MS soccer	1,000	0	1,000	0
MS boys track	72	733	805	0
MS wrestling	152	696	848	0
MS girls basketball	260	1,710	1,970	0
MS volleyball	800	1,938	1,238	1,500
MS softball	302	418	720	0
MS girls track	5	1,137	533	609
MS yearbook	3,539	3,297	2,812	4,024
MS math contests	0	1,893	305	1,588
MS SPED club	142	344	160	326
MS student athletes	2,425	1,751	2,369	1,807
MS student activities	2,543	15,530	12,460	5,613
MS cheerleaders	559	2,050	2,609	0
MS interest checking	0	849	849	0
HS softball fundraiser	828	0	815	13
Total	<u>\$ 103,831</u>	<u>373,295</u>	<u>380,681</u>	<u>96,445</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2009

		Private Purpose Trust - Scholarship Fund											
		Black Sims	Kilborne	William	Elizabeth	Maud	WM J	Edna	Wilber	Edna	Edna	Ming	Total
		Award	Prize	Aldrich	Wilson Leake	Marshall	Sigmund	Sears	Erickson	Meirotto	Meirotto	Chung	
				Trust	Award	Hassall	Memorial	Trust					
ASSETS													
	Cash and pooled investments	\$ 576	10,064	3,966	13,913	11,214	8,521	7,397	6,973	10,077	10,799	22,037	105,537
	TOTAL ASSETS	576	10,064	3,966	13,913	11,214	8,521	7,397	6,973	10,077	10,799	22,037	105,537
LIABILITIES		0	0	0	0	0	0	0	0	0	0	0	0
NET ASSETS													
	Reserved for scholarships	\$ 576	10,064	3,966	13,913	11,214	8,521	7,397	6,973	10,077	10,799	22,037	105,537

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund												Total	
	Black Sims Award	Kilborne Prize	William Aldrick Trust	Elizabeth Wilson Leake Award	Maud Marshall Hassali	WM J Sigmund Memorial	Edna Sears Trust	Wilber Erickson	Edna Meirotto	Edna Meirotto	Ming Chung	Webb Scholarship		Blood Center Scholarship
ADDITIONS:														
Local sources:														
Gifts and contributions	\$ 0	0	0	0	0	0	0	0	0	0	0	500	336	836
Interest income	15	284	108	412	504	400	258	259	331	360	708	0	0	3,639
TOTAL ADDITIONS	15	284	108	412	504	400	258	259	331	360	708	500	336	4,475
DEDUCTIONS:														
Instruction:														
Regular:														
Scholarships awarded	0	231	50	527	456	326	0	199	650	0	750	500	336	4,025
Change in net assets	15	53	58	(115)	48	74	258	60	(319)	360	(42)	0	0	450
Net assets beginning of year	561	10,011	3,908	14,028	11,166	8,447	7,139	6,913	10,396	10,439	22,079	0	0	105,087
Net assets end of year	\$ 576	10,064	3,966	13,913	11,214	8,521	7,397	6,973	10,077	10,799	22,037	0	0	105,537

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues:										
Local sources:										
Local tax	\$ 7,616,356	7,606,715	7,855,095	7,274,081	7,376,009	7,560,279	7,835,340	7,942,449	7,161,434	5,690,141
Tuition	259,809	245,438	198,968	145,239	104,514	132,977	79,151	80,341	93,049	94,832
Other	676,673	969,653	1,054,607	812,557	665,075	738,371	965,510	1,435,570	1,670,068	1,283,902
Intermediate sources	0	178,312	210,708	237,966	248,905	17,335	0	0	1,250	500
State sources	13,491,287	13,397,397	12,272,932	11,526,565	10,542,467	9,658,197	9,529,374	9,377,292	9,931,546	9,483,071
Federal sources	1,634,007	1,250,991	1,746,675	1,981,714	3,155,731	2,281,121	2,300,586	1,910,262	1,982,199	878,845
Total	\$ 23,678,132	23,648,506	23,338,985	21,978,122	22,092,701	20,388,280	20,709,961	20,745,914	20,839,546	17,431,291
Expenditures:										
Instruction:										
Regular	\$ 9,280,408	8,464,617	7,943,690	7,535,015	7,564,211	7,201,553	7,204,922	6,480,648	6,676,332	7,413,894
Special	3,399,390	3,522,222	3,100,955	2,937,092	2,551,755	3,174,324	2,948,706	2,900,575	2,952,624	2,493,147
Other	2,282,900	2,205,656	2,079,130	1,927,481	2,020,546	1,112,618	1,130,085	1,300,509	1,353,754	1,435,067
Support services:										
Student	764,108	775,847	657,577	743,239	697,915	715,383	766,190	732,079	699,214	733,305
Instructional staff	549,095	496,602	517,981	522,756	420,808	421,299	399,603	538,396	449,894	439,467
Administration	2,406,456	2,243,438	2,230,343	2,140,048	1,947,395	1,834,299	1,709,331	1,773,559	1,614,758	1,268,588
Operation and maintenance of plant	1,816,588	1,860,690	1,799,722	1,889,550	1,814,974	1,749,993	1,547,588	1,676,518	1,494,943	1,298,350
Transportation	580,801	528,970	586,770	598,932	419,753	440,308	525,785	490,994	370,457	429,117
Other support	0	0	0	0	0	767	0	0	0	0
Non-instructional	254,758	445,944	541,631	695,083	916,281	828,507	799,318	757,623	56,156	58,752
Other expenditures:										
Facilities acquisitions	1,176,936	114,951	498,588	293,180	2,028,641	636,168	4,007,977	8,503,240	4,215,925	336,149
Long Term Debt:										
Principal	1,021,089	1,267,430	4,059,453	1,135,000	1,095,000	1,050,000	1,010,000	995,000	780,000	135,000
Interest	223,437	269,379	430,057	441,233	487,442	531,523	989,078	768,703	865,606	17,654
AEA flow-through	831,724	787,957	760,033	722,398	660,304	645,987	667,716	672,452	707,206	691,932
Total	\$ 24,587,690	22,983,703	25,205,930	21,581,007	22,625,025	20,342,729	23,706,299	27,590,296	22,236,869	16,750,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	84.287	FY 09	\$ 65,315
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 09	252,141
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	85,412
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	461,454
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	5,145
			<u>552,011</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 09	18,660
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3312-G	604,214
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	12,441
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 08	6,588
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	154,449
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	3,691
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	130,002
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	33,494
TOTAL			<u>\$ 1,833,006</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Keokuk Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Keokuk Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Keokuk Community School District's financial statements that is more than inconsequential will not be prevented or detected by Keokuk Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

Compliance and Other Matters

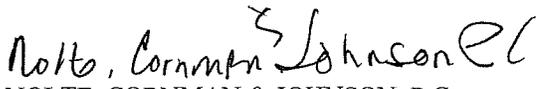
As part of obtaining reasonable assurance about whether Keokuk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Keokuk Community School District

Compliance

We have audited the compliance of Keokuk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Keokuk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Keokuk Community School District's management. Our responsibility is to express an opinion on Keokuk Community School District's compliance based on our audit.

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 Keokuk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Keokuk Community School District's compliance with those requirements.

In our opinion, Keokuk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

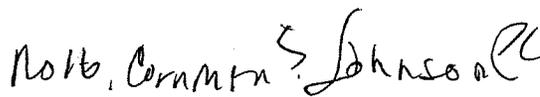
The management of Keokuk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Keokuk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

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2010

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over each major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual
 - CFDA Number 84.010 - Title I - Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Keokuk Community School District did not qualify as a low-risk auditee.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No matters were noted.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted 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.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,703,194
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	841,398	
Debt service for school infrastructure:			
General obligation debt		271,913	
Revenue debt		589,883	1,703,194
			<u> </u>
Ending balance		\$	<u> 0</u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.77391	\$ 271,913

IV-L-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District now has procedures in place to obtain written authorization before payroll checks are mailed. Any checks for which written authorization is not received are held for hand delivery.

Conclusion - Response accepted.

IV-M-09 Activity Fund Invoices - We noted during our audit of the Student Activity Fund instances of vendors being paid from purchase orders without having the invoice as supporting documentation.

Recommendation - The District should present bills for payment to the Board of Directors according to 279.29 of the Code of Iowa. Also, pursuant to Chapter 291.6 of the Code of Iowa, the duty of the Board Secretary is preservation of records and to keep an accurate account of all expenses incurred by the District for audit and approval of the Board of Directors. Therefore, the District should review procedures in place to ensure that all bills incurred by the District are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or additional support documents other than the invoice.

Response - The District will closely review any reimbursements and payments to ensure an invoice or appropriate documentation is received before payment is made.

Conclusion - Response accepted.

IV-N-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - All officiating contracts are now signed by the Board President.

Conclusion - Response accepted.