

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

JUNE 30, 2009

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Keota Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Tom Edwards	President	2008
Jared Lyle	Vice President	2010
Robert Romoser	Board Member	2008
Ryan Clarahan	Board Member	2009
Lindsay Greiner	Board Member	2010

Board of Education  
(After September 2008 Election)

Jared Lyle	President	2011*
Ryan Clarahan	Vice President	2009
Robert Romoser	Board Member	2011
Lindsay Greiner	Board Member	2009
Craig McClenahan	Board Member	2011

School Officials

Todd Abrahamson	Superintendent	2009
Marlene Stoutner	District Secretary/Treasurer and Business Manager	2009
Gruhn Law Firm	Attorney	2009

\* Board term extended 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)  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Keota 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 the Keota Community School District, Keota, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as 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 Keota Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 on our consideration of Keota 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 and budgetary comparison information on pages 4 through 12 and 33 through 34 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 opinions on the financial statements that collectively comprise Keota Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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 12, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Keota 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 \$3,108,310 in fiscal 2008 to \$3,272,106 in fiscal 2009, while General Fund expenditures decreased from \$3,276,220 in fiscal 2008 to \$3,171,072 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$69,999 in fiscal 2008 to \$171,033 in fiscal 2009, a 144.34% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2009. The decrease in expenditures was due primarily to reduced spending in the instructional staff and administration support services functional areas.

### **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 Keota 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 Keota 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 Keota Community School District acts solely as an agent or custodian 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

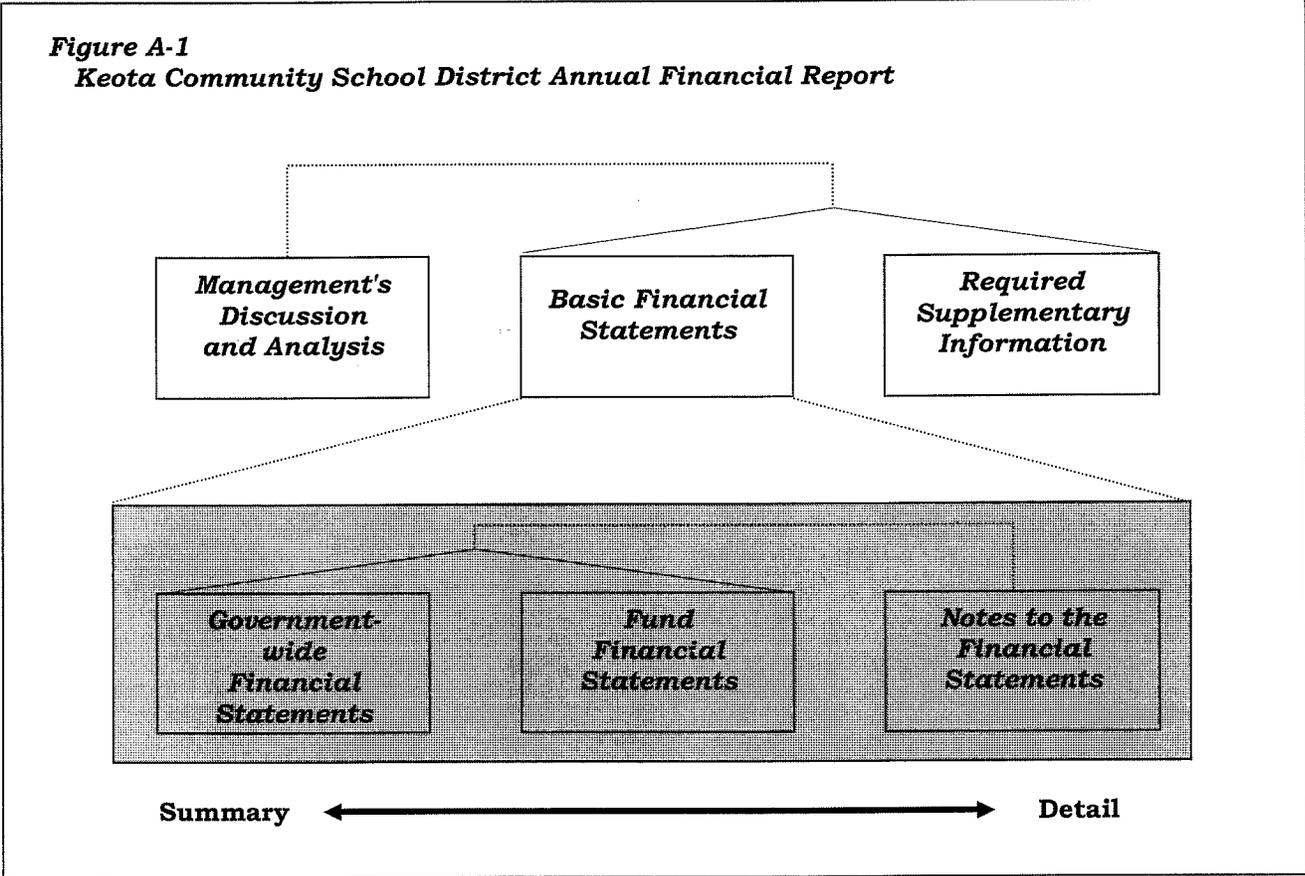


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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
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
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

## 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

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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 two 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, Debt Service Fund and Capital Projects 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.

Reconciliations 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 total net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 3,062,874	3,199,780	906	1,038	3,063,780	3,200,818	-4.28%
Capital assets	3,323,943	3,245,841	12,131	14,380	3,336,074	3,260,221	2.33%
Total assets	<u>6,386,817</u>	<u>6,445,621</u>	<u>13,037</u>	<u>15,418</u>	<u>6,399,854</u>	<u>6,461,039</u>	<u>-0.95%</u>
Long-term obligations	2,316,791	2,345,000	0	0	2,316,791	2,345,000	-1.20%
Other liabilities	2,346,051	2,572,321	977	495	2,347,028	2,572,816	-8.78%
Total liabilities	<u>4,662,842</u>	<u>4,917,321</u>	<u>977</u>	<u>495</u>	<u>4,663,819</u>	<u>4,917,816</u>	<u>-5.16%</u>
Net assets:							
Invested in capital assets, net of related debt	1,007,152	900,841	12,131	14,380	1,019,283	915,221	11.37%
Restricted	519,749	482,432	0	0	519,749	482,432	7.74%
Unrestricted	197,074	145,027	(71)	543	197,003	145,570	35.33%
Total net assets	<u>\$ 1,723,975</u>	<u>1,528,300</u>	<u>12,060</u>	<u>14,923</u>	<u>1,736,035</u>	<u>1,543,223</u>	<u>12.49%</u>

The District's combined net assets increased by 12.49%, or \$192,812, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The invested in capital assets, net of related debt increased \$104,062, or 11.37% over the prior year.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$37,317, or 7.74% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$51,433, or 35.33%.

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
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 309,686	284,086	92,431	86,200	402,117	370,286	8.60%
Operating grants and contributions and restricted interest	513,347	490,104	49,968	44,290	563,315	534,394	5.41%
General revenues:							
Property tax	1,682,495	1,622,352	0	0	1,682,495	1,622,352	3.71%
Income surtax	159,303	135,090	0	0	159,303	135,090	17.92%
Statewide sales and services tax	201,437	202,128	0	0	201,437	202,128	-0.34%
Unrestricted state grants	920,364	905,581	0	0	920,364	905,581	1.63%
Other	61,758	65,804	88	195	61,846	65,999	-6.29%
Transfers	(9,850)	(19,168)	9,850	19,168	0	0	0.00%
Total revenues and transfers	<u>3,838,540</u>	<u>3,685,977</u>	<u>152,337</u>	<u>149,853</u>	<u>3,990,877</u>	<u>3,835,830</u>	<u>4.04%</u>
Program expenses:							
Governmental activities:							
Instructional	2,216,871	2,190,037	0	0	2,216,871	2,190,037	1.23%
Support services	1,060,635	1,151,705	0	0	1,060,635	1,151,705	-7.91%
Non-instructional programs	0	0	155,200	145,685	155,200	145,685	6.53%
Other expenses	365,359	428,067	0	0	365,359	428,067	-14.65%
Total expenses	<u>3,642,865</u>	<u>3,769,809</u>	<u>155,200</u>	<u>145,685</u>	<u>3,798,065</u>	<u>3,915,494</u>	<u>-3.00%</u>
Change in net assets	195,675	(83,832)	(2,863)	4,168	192,812	(79,664)	-342.03%
Net assets beginning of year	<u>1,528,300</u>	<u>1,612,132</u>	<u>14,923</u>	<u>10,755</u>	<u>1,543,223</u>	<u>1,622,887</u>	<u>-4.91%</u>
Net assets end of year	<u>\$ 1,723,975</u>	<u>1,528,300</u>	<u>12,060</u>	<u>14,923</u>	<u>1,736,035</u>	<u>1,543,223</u>	<u>12.49%</u>

In fiscal 2009, property tax, income surtax, statewide sales and service tax and unrestricted state grants account for 77.21% of the revenue from governmental activities while charges for services and operating grants and contributions account for 93.48% of the revenue from business type activities.

The District's total revenues were approximately \$3.99 million of which approximately \$3.84 million was for governmental activities and approximately \$0.15 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 4.04% in revenues and a 3.00% decrease in expenses. The decrease in expenses was related to reduced spending in the instructional staff and administrative support services functional areas during the year.

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## Governmental Activities

Revenues for governmental activities were \$3,838,540 and expenses were \$3,642,865.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 2,216,871	2,190,037	1.23%	1,512,312	1,531,874	-1.28%
Support services	1,060,635	1,151,705	-7.91%	1,060,635	1,151,705	-7.91%
Other expenses	365,359	428,067	-14.65%	246,885	312,040	-20.88%
Totals	<u>\$ 3,642,865</u>	<u>3,769,809</u>	<u>-3.37%</u>	<u>2,819,832</u>	<u>2,995,619</u>	<u>-5.87%</u>

- The cost financed by users of the District's programs was \$309,686.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$513,347.
- The net cost of governmental activities was financed with \$1,682,495 in property tax, \$159,303 in income surtax, \$201,437 in statewide sales and services tax, \$920,364 in unrestricted state grants, \$25,564 in interest income and \$26,344 in other revenues net of transfers.

## Business type Activities

Revenues of the District's business type activities were \$152,337, representing a 1.66% increase over the prior year, while expenses totaled \$155,200, a 6.53% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Keota 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 \$594,494, compared to last year's ending fund balances of \$522,497. The primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the District's General Fund balance.

## Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. There was an increase in General Fund revenues as compared to fiscal 2008, this was combined with a decrease in General Fund expenditures causing the overall increase in the General Fund balance.
- The Capital Projects Fund balance decreased from \$323,376 in fiscal 2008 to \$317,101 in fiscal 2009. A contributing factor to the decrease in the fund balance was that the District

received slightly less in statewide sales and services tax and investment income revenues during the year.

**Proprietary Fund Highlights**

The Proprietary Fund net assets decreased from \$14,923 at June 30, 2008 to \$12,060 at June 30, 2009, representing a decrease of 19.19%.

**BUDGETARY HIGHLIGHTS**

The District’s revenues were \$149,347 less than budgeted revenues, a variance of 3.65%. The most significant variance resulted from the District receiving less in state 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.

In spite of the District’s budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2009, the District had invested \$3,336,074, 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 2.33% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$151,301.

The original cost of the District’s capital assets was \$5,976,370. Governmental funds account for \$5,918,122 with the remainder of \$58,248 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District’s machinery and equipment totaled \$45,600 at June 30, 2008, compared to \$225,775 reported at June 30, 2009. This increase resulted mainly from the purchase of 3 new buses during the year.

Figure A-6 Capital Assets, Net of Depreciation								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2009	2008	2009	2008	2009	2008	2008-09	
Land	\$ 12,310	12,310	0	0	12,310	12,310	0.00%	
Buildings	3,097,989	3,202,311	0	0	3,097,989	3,202,311	-3.26%	
Machinery and equipment	213,644	31,220	12,131	14,380	225,775	45,600	395.12%	
Total	\$ 3,323,943	3,245,841	12,131	14,380	3,336,074	3,260,221	2.33%	

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## Long-Term Debt

At June 30, 2009, the District had \$2,316,791 in general obligation and bank loan debt outstanding. This represents a decrease of 1.20% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	District		Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,155,000	2,345,000	-8.10%
Bank loan	161,791	0	100.00%
Totals	<u>\$ 2,316,791</u>	<u>2,345,000</u>	<u>-1.20%</u>

## 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 is still in a declining position with enrollment.
- Allowable growth set at 4% is still not keeping up with the increased cost of living. This coupled with enrollment decline continues to negatively impact the District's spending authority.
- The budget guarantee decline continues to plague our District.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop 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.

## 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 Cindy Steege, District Board Secretary, Keota Community School District, P.O. Box 88, Keota, Iowa, 52248.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 859,374	0	859,374
Other	555,009	21	555,030
Receivables:			
Property tax:			
Delinquent	16,992	0	16,992
Succeeding year	1,381,589	0	1,381,589
Income surtax	134,549	0	134,549
Accounts	917	0	917
Accrued ISCAP interest	3,286	0	3,286
Due from other governments	111,158	0	111,158
Inventories	0	885	885
Capital assets, net of accumulated depreciation	3,323,943	12,131	3,336,074
<b>Total assets</b>	<b>6,386,817</b>	<b>13,037</b>	<b>6,399,854</b>
<b>Liabilities</b>			
Accounts payable	45,615	0	45,615
ISCAP warrants payable	847,000	0	847,000
ISCAP accrued interest payable	4,696	0	4,696
ISCAP unamortized premium	13,490	0	13,490
Accrued interest payable	12,220	0	12,220
Deferred revenue:			
Succeeding year property tax	1,381,589	0	1,381,589
Other	41,441	0	41,441
Unearned revenue	0	977	977
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	210,000	0	210,000
Bank loan	32,358	0	32,358
Portion due after one year:			
General obligation bonds payable	1,945,000	0	1,945,000
Bank loan	129,433	0	129,433
<b>Total liabilities</b>	<b>4,662,842</b>	<b>977</b>	<b>4,663,819</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,007,152	12,131	1,019,283
Restricted for:			
Categorical funding	96,288	0	96,288
Debt service	6,602	0	6,602
Capital projects	317,101	0	317,101
Management levy	49,278	0	49,278
Physical plant and equipment levy	10,480	0	10,480
Other special revenue purposes	40,000	0	40,000
Unrestricted	197,074	(71)	197,003
<b>Total net assets</b>	<b>\$ 1,723,975</b>	<b>12,060</b>	<b>1,736,035</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,457,514	168,936	378,613	(909,965)	0	(909,965)
Special	321,993	0	16,260	(305,733)	0	(305,733)
Other	437,364	140,750	0	(296,614)	0	(296,614)
	<u>2,216,871</u>	<u>309,686</u>	<u>394,873</u>	<u>(1,512,312)</u>	<u>0</u>	<u>(1,512,312)</u>
Support services:						
Student	38,259	0	0	(38,259)	0	(38,259)
Instructional staff	97,256	0	0	(97,256)	0	(97,256)
Administration	425,727	0	0	(425,727)	0	(425,727)
Operation and maintenance of plant	330,760	0	0	(330,760)	0	(330,760)
Transportation	168,633	0	0	(168,633)	0	(168,633)
	<u>1,060,635</u>	<u>0</u>	<u>0</u>	<u>(1,060,635)</u>	<u>0</u>	<u>(1,060,635)</u>
Other expenditures:						
Facilities and acquisitions	66,887	0	0	(66,887)	0	(66,887)
Long-term debt interest	75,676	0	0	(75,676)	0	(75,676)
AEA flowthrough	118,474	0	118,474	0	0	0
Depreciation(unallocated)*	104,322	0	0	(104,322)	0	(104,322)
	<u>365,359</u>	<u>0</u>	<u>118,474</u>	<u>(246,885)</u>	<u>0</u>	<u>(246,885)</u>
Total governmental activities	3,642,865	309,686	513,347	(2,819,832)	0	(2,819,832)
Business Type activities:						
Non-instructional programs:						
Nutrition services	155,200	92,431	49,968	0	(12,801)	(12,801)
Total business type activities	<u>155,200</u>	<u>92,431</u>	<u>49,968</u>	<u>0</u>	<u>(12,801)</u>	<u>(12,801)</u>
Total	\$ 3,798,065	402,117	563,315	(2,819,832)	(12,801)	(2,832,633)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Local tax for:						
General purposes				\$ 1,502,505	0	1,502,505
Debt Service				130,852	0	130,852
Capital outlay				49,138	0	49,138
Income surtax				159,303	0	159,303
Statewide sales and services tax				201,437	0	201,437
Unrestricted state grants				920,364	0	920,364
Unrestricted investment earnings				25,564	88	25,652
Other general revenues				36,194	0	36,194
Transfers				(9,850)	9,850	0
Total general revenues and transfers				<u>3,015,507</u>	<u>9,938</u>	<u>3,025,445</u>
Changes in net assets				195,675	(2,863)	192,812
Net assets beginning of year				<u>1,528,300</u>	<u>14,923</u>	<u>1,543,223</u>
Net assets end of year				<u>\$ 1,723,975</u>	<u>12,060</u>	<u>1,736,035</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 859,374	0	0	859,374
Other	202,308	243,245	109,456	555,009
Receivables:				
Property tax:				
Delinquent	14,669	0	2,323	16,992
Succeeding year	1,381,589	0	0	1,381,589
Income surtax	134,549	0	0	134,549
Interfund	6,297	0	0	6,297
Accounts	39	0	878	917
Accrued ISCAP interest	3,286	0	0	3,286
Due from other governments	37,302	73,856	0	111,158
<b>Total assets</b>	<b>\$ 2,639,413</b>	<b>317,101</b>	<b>112,657</b>	<b>3,069,171</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	0	6,297	6,297
Accounts payable	45,615	0	0	45,615
ISCAP warrants payable	847,000	0	0	847,000
ISCAP accrued interest payable	4,696	0	0	4,696
ISCAP unamortized premium	13,490	0	0	13,490
Deferred revenue:				
Succeeding year property tax	1,381,589	0	0	1,381,589
Income surtax	134,549	0	0	134,549
Other	41,441	0	0	41,441
<b>Total liabilities</b>	<b>2,468,380</b>	<b>0</b>	<b>6,297</b>	<b>2,474,677</b>
Fund balances:				
Reserved for:				
Debt service	0	0	6,602	6,602
Categorical funding	96,288	0	0	96,288
Unreserved	74,745	317,101	99,758	491,604
<b>Total fund balances</b>	<b>171,033</b>	<b>317,101</b>	<b>106,360</b>	<b>594,494</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,639,413</b>	<b>317,101</b>	<b>112,657</b>	<b>3,069,171</b>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA 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 15)	\$	594,494
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,323,943
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		134,549
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(12,220)
Long-term liabilities, including general obligation bonds and bank loans, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,316,791)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u><u>1,723,975</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,594,936	201,437	230,012	2,026,385
Tuition	155,633	0	0	155,633
Other	48,170	2,288	133,411	183,869
State sources	1,323,586	0	92	1,323,678
Federal sources	105,781	0	0	105,781
Total revenues	<u>3,228,106</u>	<u>203,725</u>	<u>363,515</u>	<u>3,795,346</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,457,514	0	0	1,457,514
Special	321,993	0	0	321,993
Other	314,696	0	122,668	437,364
	<u>2,094,203</u>	<u>0</u>	<u>122,668</u>	<u>2,216,871</u>
Support services:				
Student	38,259	0	0	38,259
Instructional staff	97,256	0	0	97,256
Administration	401,290	0	24,437	425,727
Operation and maintenance of plant	270,916	0	277,883	548,799
Transportation	140,824	0	0	140,824
	<u>948,545</u>	<u>0</u>	<u>302,320</u>	<u>1,250,865</u>
Other expenditures:				
Facilities acquisitions	0	0	66,887	66,887
Long-term debt:				
Principal	0	0	190,000	190,000
Interest	0	0	76,193	76,193
AEA flowthrough	118,474	0	0	118,474
	<u>118,474</u>	<u>0</u>	<u>333,080</u>	<u>451,554</u>
Total expenditures	<u>3,161,222</u>	<u>0</u>	<u>758,068</u>	<u>3,919,290</u>
Excess(deficiency) of revenues over(under) expenditures	66,884	203,725	(394,553)	(123,944)
Other financing sources(uses):				
Transfers in	0	0	210,000	210,000
Transfers out	(9,850)	(210,000)	0	(219,850)
Loan proceeds	0	0	161,791	161,791
Sale of equipment	44,000	0	0	44,000
Total other financing sources(uses)	<u>34,150</u>	<u>(210,000)</u>	<u>371,791</u>	<u>195,941</u>
Net change in fund balances	101,034	(6,275)	(22,762)	71,997
Fund balance beginning of year	<u>69,999</u>	<u>323,376</u>	<u>129,122</u>	<u>522,497</u>
Fund balance end of year	<u>\$ 171,033</u>	<u>317,101</u>	<u>106,360</u>	<u>594,494</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 17) \$ 71,997

*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, depreciation expense and loss on disposal of assets for the year is as follows:

Capital outlays	\$ 234,960	
Depreciation expense	(149,052)	
Loss on disposal of assets	(7,806)	78,102

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 16,850

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments are as follows:

Issued	\$ (161,791)	
Repaid	190,000	28,209

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. 517

Changes in net assets of governmental activities (page 14) \$ 195,675

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 21
Inventories	885
Capital assets, net of accumulated depreciation	12,131
<b>Total assets</b>	<b>13,037</b>
 <b>Liabilities</b>	
Unearned revenue	977
 <b>Net Assets</b>	
Invested in capital assets	12,131
Unrestricted	(71)
<b>Total net assets</b>	<b>\$ 12,060</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 92,315
Other	116
TOTAL OPERATING REVENUES	92,431
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	45,767
Benefits	22,374
Supplies	84,810
Depreciation	2,249
TOTAL OPERATING EXPENSES	155,200
OPERATING LOSS	(62,769)
NON-OPERATING REVENUES:	
State sources	2,013
Federal sources	47,955
Interest on investments	88
TOTAL NON-OPERATING REVENUES	50,056
Change in net assets before other financing sources	(12,713)
Other financing sources:	
Transfer in	9,850
Change in net assets	(2,863)
Net assets beginning of year	14,923
Net assets end of year	\$ 12,060

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA 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	\$ 92,797
Cash received from miscellaneous	116
Cash payments to employees for services	(68,141)
Cash payments to suppliers for goods or services	(75,271)
Net cash used in operating activities	(50,499)
Cash flows from non-capital financing activities:	
Transfer from General Fund	9,850
State grants received	2,013
Federal grants received	38,529
Net cash provided by non-capital financing activities	50,392
Cash flows from investing activities:	
Interest on investments	88
Net decrease in cash and cash equivalents	(19)
Cash and cash equivalents at beginning of year	40
Cash and cash equivalents at end of year	\$ 21
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,769)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,426
Depreciation	2,249
Decrease in inventories	113
Increase in unearned revenue	482
Net cash used in operating activities	\$ (50,499)

During the year ended June 30, 2009, the District received Federal commodities valued at \$9,426.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

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

The Keota 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 Keota, Iowa, and the predominate agricultural territory in Keokuk and Washington 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, Keota 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 Keota 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 Keokuk and Washington Counties 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation 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

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 in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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. During the year ended June 30, 2009, expenditures in the support services functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 986</u>

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) **Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Physical Plant and Equipment Levy	<u>\$ 6,297</u>

The Physical Plant and Equipment Levy owes the General Fund for revenues recorded in the incorrect fund.

**(4) Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Physical Plant and Equipment Levy	Capital Projects	\$ 75,000
Debt Service	Capital Projects	135,000
Enterprise, School Nutrition	General	<u>9,850</u>
Total		<u>\$ 219,850</u>

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

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/2009	1/21/2010	\$ 348,410	3,223	344,000	4,524
2009-10A	6/25/2009	6/23/2010	510,964	63	503,000	172
Total			<u>\$ 859,374</u>	<u>3,286</u>	<u>847,000</u>	<u>4,696</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	300,000	300,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(6) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12,310	0	0	12,310
Total capital assets not being depreciated	12,310	0	0	12,310
Capital assets being depreciated:				
Buildings	5,204,323	0	0	5,204,323
Machinery and equipment	521,165	234,960	54,636	701,489
Total capital assets being depreciated	5,725,488	234,960	54,636	5,905,812
Less accumulated depreciation for:				
Buildings	2,002,012	104,322	0	2,106,334
Machinery and equipment	489,945	44,730	46,830	487,845
Total accumulated depreciation	2,491,957	149,052	46,830	2,594,179
Total capital assets being depreciated, net	3,233,531	85,908	7,806	3,311,633
Governmental activities capital assets, net	\$ 3,245,841	85,908	7,806	3,323,943
<b>Business type activities:</b>				
Machinery and equipment	\$ 58,248	0	0	58,248
Less accumulated depreciation	43,868	2,249	0	46,117
Business type activities capital assets, net	\$ 14,380	(2,249)	0	12,131

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Operation and maintenance of plant	\$ 2,041
Transportation	42,689
	<u>44,730</u>
Unallocated depreciation	104,322
	<u>104,322</u>
Total governmental activities depreciation expense	<u>\$ 149,052</u>
Business type activities:	
Food services	<u>\$ 2,249</u>

**(7) 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
General obligation bonds	\$ 2,345,000	0	190,000	2,155,000	210,000
Bank loan	0	161,791	0	161,791	32,358
	<hr/>				
Total	<u>\$ 2,345,000</u>	<u>161,791</u>	<u>190,000</u>	<u>2,316,791</u>	<u>242,358</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year Ending June 30,	Bond dated April 28, 2008			
	Interest Rates	Principal	Interest	Total
2010	2.60 %	\$ 210,000	70,608	280,608
2011	2.80	215,000	65,147	280,147
2012	3.00	225,000	59,127	284,127
2013	3.10	230,000	52,378	282,378
2014	3.25	240,000	45,247	285,247
2015	3.40	245,000	37,447	282,447
2016	3.60	250,000	29,118	279,118
2017	3.70	265,000	20,117	285,117
2018	3.75	275,000	10,313	285,313
	<hr/>			
Total		<u>\$ 2,155,000</u>	<u>389,502</u>	<u>2,544,502</u>

Bank Loan Payable

Details of the District's June 30, 2009 bank loan, which will be paid from the Special Revenue: Physical Plant and Equipment Levy, are as follows:

Year Ending June 30,	Loan dated June 10, 2009				
	Interest Rates	Principal	Interest	Total	
2010	4.00	% \$ 32,358	2,553	34,911	
2011	4.00	32,358	5,177	37,535	
2012	4.00	32,358	3,883	36,241	
2013	4.00	32,358	2,596	34,954	
2014	4.00	32,359	1,294	33,653	
Total		\$ 161,791	15,503	177,294	

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$111,793, \$112,254, and \$110,026, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits**

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

**(10) Risk Management**

Keota Community School District is a member in the Southeast Iowa Schools Health Care Plan, an Iowa Code Chapter 28E organization. The Southeast Iowa Schools Health Care Plan (SEIS) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. SEIS was for the purpose of managing and funding employee benefits. SEIS provides coverage and protection in the following categories: medical and dental.

Each member's contributions to SEIS funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, SEIS's general and administrative expenses and insurance premiums.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the

risk pool. District contributions to SEIS for the year ended June 30, 2009 were \$229,623.

Payments from participating members are used to buy health insurance from Wellmark and paying dental and vision claims. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

Most members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. SEIS will pay claims incurred before the termination date.

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

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$118,474 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.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the support services functional area exceeded the amounts budgeted.

**(13) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 63,070
Market factor	2,827
Professional development for model core curriculum	5,287
Weighted at-risk programs	3,507
Market factor incentives	858
Beginning teacher mentoring and induction program	582
Professional development	8,884
Gifted and talented program	<u>11,273</u>
Total	<u>\$ 96,288</u>

**(14) Deficit Net Assets**

As of June 30, 2009, the District had a deficit unrestricted net assets balance in the Nutrition Fund of \$71.

REQUIRED SUPPLEMENTARY INFORMATION

KEOTA 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 Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,365,887	92,519	2,458,406	2,504,955	2,504,955	(46,549)
State sources	1,323,678	2,013	1,325,691	1,447,225	1,447,225	(121,534)
Federal sources	105,781	47,955	153,736	135,000	135,000	18,736
Total revenues	<u>3,795,346</u>	<u>142,487</u>	<u>3,937,833</u>	<u>4,087,180</u>	<u>4,087,180</u>	<u>(149,347)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,216,871	0	2,216,871	2,403,839	2,403,839	186,968
Support services	1,250,865	0	1,250,865	1,090,570	1,090,570	(160,295)
Non-instructional programs	0	155,200	155,200	176,054	176,054	20,854
Other expenditures	451,554	0	451,554	552,259	552,259	100,705
Total expenditures/expenses	<u>3,919,290</u>	<u>155,200</u>	<u>4,074,490</u>	<u>4,222,722</u>	<u>4,222,722</u>	<u>148,232</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(123,944)	(12,713)	(136,657)	(135,542)	(135,542)	(1,115)
Other financing sources, net	195,941	9,850	205,791	0	0	205,791
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	71,997	(2,863)	69,134	(135,542)	(135,542)	204,676
Balance beginning of year	522,497	14,923	537,420	637,772	637,772	(100,352)
Balance end of year	<u>\$ 594,494</u>	<u>12,060</u>	<u>606,554</u>	<u>502,230</u>	<u>502,230</u>	<u>104,324</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures in the support services function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 48,773	39,122	16,281	104,176	5,280	109,456
Receivables:						
Property tax:						
Current year delinquent	505	0	496	1,001	1,322	2,323
Accounts	0	878	0	878	0	878
<b>Total assets</b>	<b>\$ 49,278</b>	<b>40,000</b>	<b>16,777</b>	<b>106,055</b>	<b>6,602</b>	<b>112,657</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Interfund payable	\$ 0	0	6,297	6,297	0	6,297
Fund balances:						
Reserved:						
Debt Service	0	0	0	0	6,602	6,602
Unreserved	49,278	40,000	10,480	99,758	0	99,758
Total fund balances	49,278	40,000	10,480	99,758	6,602	106,360
<b>Total liabilities and fund balances</b>	<b>\$ 49,278</b>	<b>40,000</b>	<b>16,777</b>	<b>106,055</b>	<b>6,602</b>	<b>112,657</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 50,022	0	49,138	99,160	130,852	230,012
Other	452	131,135	350	131,937	1,474	133,411
State sources	20	0	20	40	52	92
TOTAL REVENUES	50,494	131,135	49,508	231,137	132,378	363,515
EXPENDITURES:						
Current:						
Instruction:						
Other	0	122,668	0	122,668	0	122,668
Support services:						
Administration	24,437	0	0	24,437	0	24,437
Operation and maintenance of plant	18,402	110	259,371	277,883	0	277,883
Other expenditures:						
Facilities acquisitions	0	0	66,887	66,887	0	66,887
Long-term debt:						
Principal	0	0	0	0	190,000	190,000
Interest	0	0	0	0	76,193	76,193
TOTAL EXPENDITURES	42,839	122,778	326,258	491,875	266,193	758,068
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,655	8,357	(276,750)	(260,738)	(133,815)	(394,553)
OTHER FINANCING SOURCES:						
Loan proceeds	0	0	161,791	161,791	0	161,791
Transfer in	0	0	75,000	75,000	135,000	210,000
TOTAL OTHER FINANCING SOURCES	0	0	236,791	236,791	135,000	371,791
NET CHANGE IN FUND BALANCE	7,655	8,357	(39,959)	(23,947)	1,185	(22,762)
FUND BALANCE BEGINNING OF YEAR	41,623	31,643	50,439	123,705	5,417	129,122
FUND BALANCE END OF YEAR	\$ 49,278	40,000	10,480	99,758	6,602	106,360

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA 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	Intra- Fund Transfers	Balance End of Year
Drama	\$ 1,095	2,382	2,388	0	1,089
Basketball	0	18,063	11,852	(2,369)	3,842
Track	963	930	2,304	411	0
Cross Country	9	435	445	1	0
Golf	0	0	466	466	0
Football	0	0	525	525	0
Baseball	0	3,329	3,964	946	311
Volleyball	316	6,119	3,084	0	3,351
Softball	0	1,589	1,609	20	0
Athletics-Miscellaneous	0	140	0	0	140
Cheerleaders	284	5	0	0	289
FFA	7,909	24,046	25,706	0	6,249
FCCLA	882	1,430	450	0	1,862
Student Council	3,320	3,461	3,508	0	3,273
EagleRock!	3,386	13,258	14,492	0	2,152
Class of 2009	690	32,863	34,005	452	0
Class of 2010	1,146	1,472	1,839	(452)	327
Class of 2011	20	0	0	0	20
Class of 2012	130	4	0	0	134
Class of 2013	70	3	18	0	55
Special Baseball	1,452	6,996	2,739	0	5,709
Special Boys Track	685	606	405	0	886
Special Volleyball	3,629	1,535	1,476	0	3,688
Special Girls Track	1,189	612	131	0	1,670
Special Softball	3,254	3,101	4,028	0	2,327
Special Boys Basketball	390	3,331	2,079	0	1,642
Special Girls Basketball	824	1,502	1,342	0	984
Tournament	0	3,923	3,923	0	0
<b>Total</b>	<b>\$ 31,643</b>	<b>131,135</b>	<b>122,778</b>	<b>0</b>	<b>40,000</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,026,385	1,959,570	1,839,674	1,974,821	2,003,961	1,932,155
Tuition	155,633	138,612	107,280	108,707	120,494	131,901
Other	183,869	230,224	177,562	136,943	114,698	114,780
State sources	1,323,678	1,266,068	1,277,225	1,267,901	1,312,969	1,220,613
Federal sources	105,781	110,671	116,004	128,459	134,997	139,977
Total	\$ 3,795,346	3,705,145	3,517,745	3,616,831	3,687,119	3,539,426
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,457,514	1,488,962	1,531,236	1,442,892	1,492,419	1,427,249
Special	321,993	269,783	217,172	281,300	256,290	525,755
Other	437,364	431,292	460,867	404,984	380,720	148,884
Support services:						
Student	38,259	37,775	35,443	37,587	42,016	41,879
Instructional staff	97,256	151,994	110,642	124,557	103,735	48,308
Administration	425,727	461,481	435,309	366,462	363,463	392,841
Operation and maintenance of plant	548,799	291,560	305,326	368,869	321,058	265,770
Transportation	140,824	150,155	124,749	148,309	128,725	118,320
Non-instructional programs	0	0	0	4,492	0	0
Other expenditures:						
Facilities acquisitions	66,887	102,539	97,894	62,900	67,612	53,254
Long-term debt:						
Principal	190,000	221,641	210,270	203,951	192,680	181,458
Interest	76,193	111,018	119,287	129,107	140,277	150,500
AEA flow-through	118,474	116,027	112,418	106,197	107,097	108,594
Total	\$ 3,919,290	3,834,227	3,760,613	3,681,607	3,596,092	3,462,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Keota 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 Keota Community School District 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 12, 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 Keota Community School District 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 Keota Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Keota Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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 Keota 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 Keota Community School District's financial statements that is more than inconsequential will not be prevented or detected by Keota Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Keota Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keota Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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.

Keota Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Keota 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 Keota Community School District and other parties to whom Keota 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 Keota 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 12, 2010

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-09 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our internal controls process and work towards improving segregation of duties.

Conclusion - Response accepted.

- I-B-09 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years.

Response - We are in the process of updating our policies and will work to keep them current in the future.

Conclusion - Response accepted.

- I-C-09 Scholarship Awards - We noted during our audit that the Student Council and EagleRock groups awarded scholarships from proceeds of fundraising during the year. The District subsequently wrote checks for the scholarships to the Booster Club from the Student Activity Fund.

Recommendation - Fundraisers for scholarships and donations made to the school should be recorded in the fund in which they can be properly expended. Scholarships are most appropriately receipted and expended from the Private Purpose Trust Fund; therefore it is logical to place proceeds from scholarship fundraising in the Private Purpose Trust Fund. When writing checks for scholarships, a better practice would be for the District to write the check to the individual and the college/university the student is attending once the student has supplied proof of attendance to the District.

Response - We will have the student provide proof of attendance and write the check to the individual and the college/university. We will receipt scholarship monies to a Private Purpose Trust Fund.

Conclusion - Response accepted.

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, exceeded the certified budget amount in the support services function.

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

Response - We will monitor the District's expenditures and amend the budget if necessary.

Conclusion - Response accepted.

II-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.

II-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.

II-D-09 Business Transactions - No business transactions between the District and District officials were noted.

II-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.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the official Board minutes were not always signed.

Recommendation - The Board President and Board Secretary should sign official minutes after they have been approved.

Response - We have implemented a process of making sure the Board President and Board Secretary sign the Board minutes.

Conclusion - Response accepted.

II-G-09 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-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.

II-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.

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

II-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.3 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			201,437
Expenditures/transfers out:			
PPEL for school infrastructure:			
Equipment	\$	66,437	
Debt service for school infrastructure:			
General obligation debt		135,000	201,437
Ending balance		\$	0

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.85444	\$ 135,000

II-L-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 to be in accordance with Chapter 291.1 of the Code of Iowa.

Response - We will have the Board President sign all contracts in accordance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-M-09 Financial Condition - The Enterprise, School Nutrition Fund had a deficit unrestricted net assets balance of \$71 at June 30, 2009.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We have increased the school lunch fees and have been monitoring the Nutrition Fund balance closely to make sure it does not have a deficit.

Conclusion - Response accepted.

II-N-09 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events.

Recommendation - Chapters 297.9 and 297.10 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - We have implemented the process of receipting facilities usage funds into the General Fund.

Conclusion - Response accepted.