

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

JUNE 30, 2010

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Keokuk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 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	2011
Brent Gatton	Board Member	2011

Board of Education (After September 2009 Election)		
Sandy Stark	President	2011
Tyler McGhghy	Vice President	2013
Dave Barrett	Board Member (Resigned September 2009)	2011
Alka Khanolkar	Board Member	2013
Roger Kokemuller	Board Member	2013
Mike Steinkruger	Board Member	2011
Tom Gardner	Board Member (Resigned October 2009)	2011
Chris Lindner	Board Member (Appointed October 2009)	2011
Brent Gatton	Board Member	2011

School Officials		
Dr. Lora Wolff	Superintendent	2010
Greg Reynolds	District Secretary/Treasurer and Business Manager	2010
Ahlers and Cooney, P.C.	Attorney	2010
Dorsey & Whitney, LLP	Attorney	2010
James F. Dennis	Attorney	2010

KEOKUK COMMUNITY SCHOOL DISTRICT

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

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, 2010, 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.

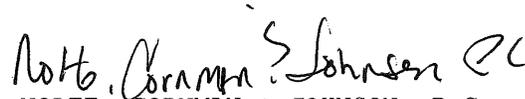
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District at June 30, 2010, 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 9, 2011 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 7 through 16 and 42 through 44 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, 2009 (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 9, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$20,459,244 in fiscal 2009 to \$20,446,423 in fiscal 2010, while General Fund expenditures increased from \$21,096,085 in fiscal 2009 to \$21,360,605 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$4,280,408 in fiscal 2009 to a balance of \$3,366,226 in fiscal 2010, a 21.36% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in state grant revenues in fiscal 2010. This decrease was offset primarily by an increase in federal revenues. 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 19.55% for fiscal year 2009 to 13.97% for fiscal year 2010. 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%.
- Capital expenditures of \$1,087,597 were made from the Statewide Sales, Services and Use Tax and PPEL Funds for various projects throughout the District. These projects included \$384,452 for the expansion of Hawthorne parking lot, \$310,512 for the High School wrestling room, \$80,084 for various network equipment, \$75,868 for a new bus, \$51,075 for various architects, \$35,650 for asphalt repair at George Washington, \$30,152 for George Washington roof replacement, \$28,707 for a transportation vehicle, \$27,348 for vocal music stage equipment, \$23,537 for high school lockers, \$11,771 for flat panel computer monitors, \$10,920 for Calvert Stadium speaker replacement, \$5,850 for a new spreader, and \$11,670 for miscellaneous projects.
- The Special Education program fund balance ended fiscal year 2010 with a positive \$235,639 balance.
- 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.
- This District will also be receiving the Elementary and Secondary School Counseling Grant over the next three years. The District received \$396,610 in year one and will be receiving \$395,821 in year two and \$400,000 in year three.

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-1
Keokuk Community School District Annual Financial Report

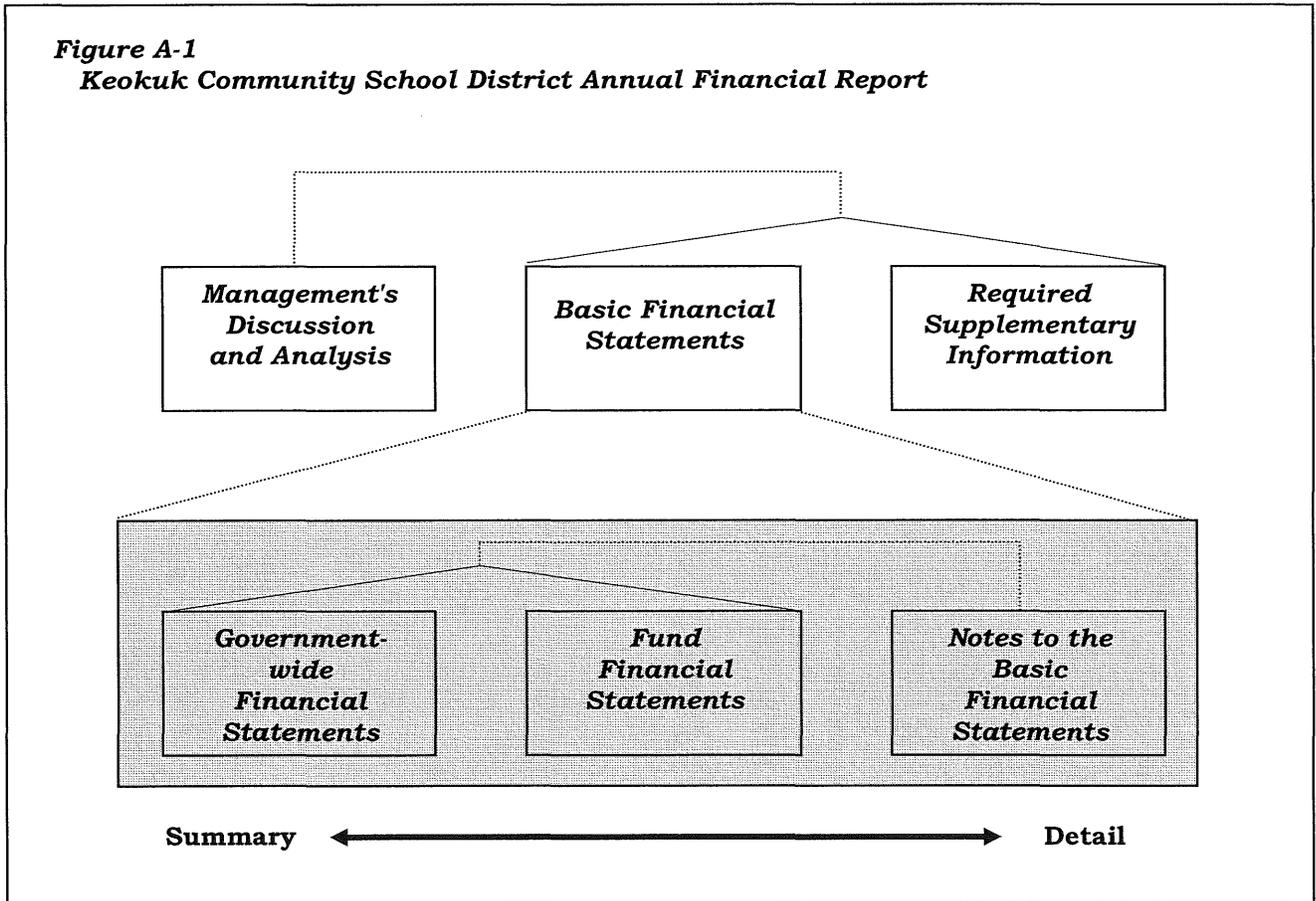


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 13,712,356	13,702,028	195,489	355,119	13,907,845	14,057,147	-1.06%
Capital assets	19,604,645	19,589,996	489,142	559,614	20,093,787	20,149,610	-0.28%
Total assets	33,317,001	33,292,024	684,631	914,733	34,001,632	34,206,757	-0.60%
Long-term obligations	6,608,718	7,096,581	14,931	8,877	6,623,649	7,105,458	-6.78%
Other liabilities	7,484,622	6,874,060	11,139	15,213	7,495,761	6,889,273	8.80%
Total liabilities	14,093,340	13,970,641	26,070	24,090	14,119,410	13,994,731	0.89%
Net assets:							
Invested in capital assets, net of related debt	14,704,645	14,130,689	489,142	559,614	15,193,787	14,690,303	3.43%
Restricted	3,081,859	2,519,399	0	0	3,081,859	2,519,399	22.33%
Unrestricted	1,437,157	2,671,295	169,419	331,029	1,606,576	3,002,324	-46.49%
Total net assets	\$ 19,223,661	19,321,383	658,561	890,643	19,882,222	20,212,026	-1.63%

The District's combined net assets decreased by 1.63% or \$329,804 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 increased \$562,460 or 22.33% over the prior year. The increase was primarily a result of the increase in the Capital Projects net assets.

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 \$1,395,748 or 46.49%. 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, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 573,589	738,415	290,376	688,861	863,965	1,427,276	-39.47%
Operating grants and contributions and restricted interest	5,595,130	4,092,487	600,978	580,327	6,196,108	4,672,814	32.60%
Capital grants and contributions and restricted interest	7,267	22,104	0	0	7,267	22,104	-67.12%
General revenues:							
Property tax	6,194,015	5,913,162	0	0	6,194,015	5,913,162	4.75%
Statewide sales and service tax	1,703,078	1,703,194	0	0	1,703,078	1,703,194	-0.01%
Unrestricted state grants	9,491,690	11,085,168	0	0	9,491,690	11,085,168	-14.37%
Other	115,141	225,715	13,791	19,443	128,932	245,158	-47.41%
Total revenues	23,679,910	23,780,245	905,145	1,288,631	24,585,055	25,068,876	-1.93%
Program expenses:							
Governmental activities:							
Instructional	15,105,901	15,406,414	0	0	15,105,901	15,406,414	-1.95%
Support services	6,798,092	6,201,398	8,996	14,784	6,807,088	6,216,182	9.51%
Non-instructional programs	186,123	255,834	1,128,231	1,449,830	1,314,354	1,705,664	-22.94%
Other expenses	1,687,516	1,579,643	0	0	1,687,516	1,579,643	6.83%
Total expenses	23,777,632	23,443,289	1,137,227	1,464,614	24,914,859	24,907,903	0.03%
Changes in net assets	(97,722)	336,956	(232,082)	(175,983)	(329,804)	160,973	-304.88%
Net assets beginning of year	19,321,383	18,984,427	890,643	1,066,626	20,212,026	20,051,053	0.80%
Net assets end of year	\$ 19,223,661	19,321,383	658,561	890,643	19,882,222	20,212,026	-1.63%

In fiscal 2010, property tax, statewide sales, services and use tax and unrestricted state grants account for 73.43% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.48% of the revenue from business type activities.

The District's total revenues were approximately \$24.59 million, of which \$23.68 million was for governmental activities and approximately \$0.91 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.93% decrease in revenues and a 0.03% increase in expenses. Property tax increased by \$280,853 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 \$23,679,910 and expenses were \$23,777,632.

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		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 15,105,901	15,406,414	-1.95%	9,909,231	11,519,165	-13.98%
Support services	6,798,092	6,201,398	9.62%	6,781,689	6,165,572	9.99%
Non- instructional programs	186,123	255,834	-27.25%	125,490	157,627	-20.39%
Other expenses	1,687,516	1,579,643	6.83%	785,236	747,919	4.99%
Total	\$ 23,777,632	23,443,289	1.43%	17,601,646	18,590,283	-5.32%

- The cost financed by users of the District's programs was \$573,589.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,595,130.
- The net cost of governmental activities was financed with \$6,194,015 in property tax, \$1,703,078 in statewide sales, service and use tax, \$9,491,690 in unrestricted state grants, \$68,886 in interest income and \$46,255 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$905,145 and expenses were \$1,137,227. 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 \$6,242,882, compared to last year's ending fund balances of \$6,844,700. However, the primary reason for the decrease was the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors.
 - The General Fund revenues decreased as compared to the previous year, the decrease also saw an increase in General Fund expenditures, thus ensuring the decline in General Fund balance.
 - The District actually received \$1,597,276 less in state sources and \$1,530,588 more in federal sources during fiscal 2010. The increase in federal sources was mainly a result of the funding received by the District under the American Recovery and Reinvestment Act.
 - Support services expenditures increased \$519,517 in FY10. A portion of this increase is due to the increases in the employees' salaries and benefits.
- The Management Levy Fund balance decreased to \$308,291 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 increased by \$578,286 during the current year. Statewide sales, services and use tax revenues exceeded the funds needed for the wrestling room renovation and other capital acquisitions.

Proprietary Fund Highlights

As discussed earlier, the School Nutrition Fund net assets decreased \$232,082. 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 instructional expenditures.

The District's revenues were \$1,480,584 less than budgeted revenues, a variance of 5.68%. 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, 2010, the District had invested \$20,093,787, 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 decrease of less than 1% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$941,638.

The original cost of the District's capital assets was \$34,674,358. Governmental funds account for \$33,747,130 with the remainder of \$927,228 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$358,166 at June 30, 2009, compared to \$787,580 reported at June 30, 2010. This increase resulted from parking lot improvements being made.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 870,063	870,063	0	0	870,063	870,063	0.00%
Construction in progress	0	53,209	0	0	0	53,209	-100.00%
Buildings	17,207,785	17,390,252	0	0	17,207,785	17,390,252	-1.05%
Land improvements	787,580	358,166	0	0	787,580	358,166	119.89%
Machinery and equipment	739,217	918,306	489,142	559,614	1,228,359	1,477,920	-16.89%
Total	\$ 19,604,645	19,589,996	489,142	559,614	20,093,787	20,149,610	-0.28%

Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$6,623,649 in general obligation bonds, revenue bonds and other long-term debt. This represents a decrease of 6.78% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$4,900,000 at June 30, 2010.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,208,340 at June 30, 2010.

The District had outstanding compensated absences payable from the General Fund of \$163,313 at June 30, 2010.

The District had a net OPEB liability of \$337,065 in the governmental activities and \$14,931 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,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 4,900,000	5,360,000	0	0	4,900,000	5,360,000	-8.58%
Revenue bonds	0	99,307	0	0	0	99,307	-100.00%
Early retirement	1,208,340	1,247,202	0	0	1,208,340	1,247,202	-3.12%
Compensated absences	163,313	195,100	0	0	163,313	195,100	-16.29%
Net OPEB obligation	337,065	194,972	14,931	8,877	351,996	203,849	72.67%
Total	\$ 6,608,718	7,096,581	14,931	8,877	6,623,649	7,105,458	-6.78%

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 2009 count resulted in a decrease of 116 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, 2009, to 6.65% on July 1, 2010 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 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 2010/2011 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 Greg Reynolds, District Secretary/Treasurer and 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, 2010

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 6,301,458	173,296	6,474,754
Receivables:			
Property tax:			
Delinquent	139,246	0	139,246
Succeeding year	6,203,794	0	6,203,794
Interfund	0	2,600	2,600
Accounts	5,488	2,887	8,375
Due from other governments	1,062,370	696	1,063,066
Inventories	0	16,010	16,010
Capital assets, net of accumulated depreciation	19,604,645	489,142	20,093,787
Total Assets	33,317,001	684,631	34,001,632
Liabilities			
Interfund payable	2,600	0	2,600
Accounts payable	312,669	417	313,086
Interest payable	15,148	0	15,148
Deferred revenue:			
Succeeding year property tax	6,203,794	0	6,203,794
Other	950,411	0	950,411
Unearned revenue	0	10,722	10,722
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	475,000	0	475,000
Early retirement	548,716	0	548,716
Compensated absences	163,313	0	163,313
Portion due after one year:			
General obligation bonds	4,425,000	0	4,425,000
Early retirement	659,624	0	659,624
Net OPEB liability	337,065	14,931	351,996
Total Liabilities	14,093,340	26,070	14,119,410
Net Assets			
Invested in capital assets, net of related debt	14,704,645	489,142	15,193,787
Restricted for:			
Debt service	120,992	0	120,992
Categorical funding	513,494	0	513,494
Capital projects	2,279,483	0	2,279,483
Physical plant and equipment levy	117,431	0	117,431
Other special revenue purposes	50,459	0	50,459
Unrestricted	1,437,157	169,419	1,606,576
Total Net Assets	\$ 19,223,661	658,561	19,882,222

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 9,041,825	264,389	3,314,107	0	(5,463,329)	0	(5,463,329)
Special	3,388,266	9,093	316,387	0	(3,062,786)	0	(3,062,786)
Other	2,675,810	262,483	1,030,211	0	(1,383,116)	0	(1,383,116)
	<u>15,105,901</u>	<u>535,965</u>	<u>4,660,705</u>	<u>0</u>	<u>(9,909,231)</u>	<u>0</u>	<u>(9,909,231)</u>
Support services:							
Student	1,195,276	0	0	0	(1,195,276)	0	(1,195,276)
Instructional staff	509,692	0	0	0	(509,692)	0	(509,692)
Administration	2,372,115	0	0	0	(2,372,115)	0	(2,372,115)
Operation and maintenance of plant	2,033,145	0	0	7,267	(2,025,878)	0	(2,025,878)
Transportation	687,864	5,205	3,931	0	(678,728)	0	(678,728)
	<u>6,798,092</u>	<u>5,205</u>	<u>3,931</u>	<u>7,267</u>	<u>(6,781,689)</u>	<u>0</u>	<u>(6,781,689)</u>
Non-instructional program:							
Community service and education operations	186,123	32,419	28,214	0	(125,490)	0	(125,490)
Other expenditures:							
Facilities acquisitions	31,340	0	0	0	(31,340)	0	(31,340)
Long-term debt interest	196,500	0	0	0	(196,500)	0	(196,500)
AEA flowthrough	902,280	0	902,280	0	0	0	0
Depreciation (unallocated)*	557,396	0	0	0	(557,396)	0	(557,396)
	<u>1,687,516</u>	<u>0</u>	<u>902,280</u>	<u>0</u>	<u>(785,236)</u>	<u>0</u>	<u>(785,236)</u>
Total governmental activities	<u>23,777,632</u>	<u>573,589</u>	<u>5,595,130</u>	<u>7,267</u>	<u>(17,601,646)</u>	<u>0</u>	<u>(17,601,646)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	8,996	0	0	0	0	(8,996)	(8,996)
Non-instructional programs:							
Food service operations	1,128,231	290,376	600,978	0	0	(236,877)	(236,877)
Total business type activities	<u>1,137,227</u>	<u>290,376</u>	<u>600,978</u>	<u>0</u>	<u>0</u>	<u>(245,873)</u>	<u>(245,873)</u>
Total	<u>\$ 24,914,859</u>	<u>863,965</u>	<u>6,196,108</u>	<u>7,267</u>	<u>(17,601,646)</u>	<u>(245,873)</u>	<u>(17,847,519)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,684,986	0	5,684,986
Debt service					386,205	0	386,205
Capital outlay					122,824	0	122,824
Statewide sales and service tax					1,703,078	0	1,703,078
Unrestricted state grants					9,491,690	0	9,491,690
Unrestricted investment earnings					68,886	752	69,638
Other general revenues					46,255	13,039	59,294
Total general revenues					<u>17,503,924</u>	<u>13,791</u>	<u>17,517,715</u>
Changes in net assets					(97,722)	(232,082)	(329,804)
Net assets beginning of year					19,321,383	890,643	20,212,026
Net assets end of year					<u>\$ 19,223,661</u>	<u>658,561</u>	<u>19,882,222</u>

* 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, 2010

	Management Levy General	Fund	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 3,715,574	291,312	2,002,185	292,387	6,301,458
Receivables:					
Property tax:					
Delinquent	111,821	16,979	0	10,446	139,246
Succeeding year	5,151,871	800,000	0	251,923	6,203,794
Interfund	2,402	0	0	0	2,402
Accounts	658	0	4,275	555	5,488
Due from other governments	782,479	0	279,891	0	1,062,370
Total Assets	\$ 9,764,805	1,108,291	2,286,351	555,311	13,714,758
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 2,600	0	0	2,402	5,002
Accounts payable	293,697	0	6,868	12,104	312,669
Deferred revenue:					
Succeeding year property tax	5,151,871	800,000	0	251,923	6,203,794
Other	950,411	0	0	0	950,411
Total liabilities	6,398,579	800,000	6,868	266,429	7,471,876
Fund balances:					
Reserved for:					
Debt service	0	0	0	120,992	120,992
Categorical funding	513,494	0	0	0	513,494
Unreserved	2,852,732	308,291	2,279,483	167,890	5,608,396
Total fund balances	3,366,226	308,291	2,279,483	288,882	6,242,882
Total Liabilities and Fund Balances	\$ 9,764,805	1,108,291	2,286,351	555,311	13,714,758

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, 2010

Total fund balances of governmental funds (page 20)	\$	6,242,882
 <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 in the governmental funds.		19,604,645
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.		(15,148)
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.		<u>(6,608,718)</u>
Net assets of governmental activites (page 18)	\$	<u>19,223,661</u>

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, 2010

	General	Management Levy Fund	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 4,935,247	749,739	1,703,078	509,029	7,897,093
Tuition	245,289	0	0	0	245,289
Other	187,568	35,636	6,217	249,501	478,922
State sources	11,894,011	0	0	0	11,894,011
Federal sources	3,164,595	0	0	0	3,164,595
Total revenues	<u>20,426,710</u>	<u>785,375</u>	<u>1,709,295</u>	<u>758,530</u>	<u>23,679,910</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,214,758	571,050	94,671	0	8,880,479
Special	3,357,577	0	0	0	3,357,577
Other	2,384,655	0	0	292,059	2,676,714
	<u>13,956,990</u>	<u>571,050</u>	<u>94,671</u>	<u>292,059</u>	<u>14,914,770</u>
Support services:					
Student	1,202,507	0	0	0	1,202,507
Instructional staff	563,412	0	0	0	563,412
Administration	2,305,113	44,334	91,855	1,400	2,442,702
Operation and maintenance of plant	1,777,011	158,821	0	14,022	1,949,854
Transportation	467,561	28,184	0	104,575	600,320
	<u>6,315,604</u>	<u>231,339</u>	<u>91,855</u>	<u>119,997</u>	<u>6,758,795</u>
Non-instructional programs:					
Community service and education operations	185,731	0	0	0	185,731
Other expenditures:					
Facilities acquisitions	0	0	572,904	209,570	782,474
Long-term debt:					
Principal	0	0	0	559,307	559,307
Interest and fiscal charges	0	0	0	198,084	198,084
AEA flowthrough	902,280	0	0	0	902,280
	<u>902,280</u>	<u>0</u>	<u>572,904</u>	<u>966,961</u>	<u>2,442,145</u>
Total expenditures	<u>21,360,605</u>	<u>802,389</u>	<u>759,430</u>	<u>1,379,017</u>	<u>24,301,441</u>
Excess(deficiency) of revenues over(under) expenditures	(933,895)	(17,014)	949,865	(620,487)	(621,531)
Other financing sources(uses):					
Transfers in	0	0	0	371,579	371,579
Transfers out	0	0	(371,579)	0	(371,579)
Proceeds from disposal of property	19,713	0	0	0	19,713
Total other financing sources(uses)	<u>19,713</u>	<u>0</u>	<u>(371,579)</u>	<u>371,579</u>	<u>19,713</u>
Net change in fund balances	(914,182)	(17,014)	578,286	(248,908)	(601,818)
Fund balance beginning of year	<u>4,280,408</u>	<u>325,305</u>	<u>1,701,197</u>	<u>537,790</u>	<u>6,844,700</u>
Fund balance end of year	<u>\$ 3,366,226</u>	<u>308,291</u>	<u>2,279,483</u>	<u>288,882</u>	<u>6,242,882</u>

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (601,818)

*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:

Expenditures for capital assets	\$ 1,061,952	
Depreciation expense	(869,302)	
Loss on disposal of assets	(178,001)	14,649

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. 559,307

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. 1,584

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	38,862	
Compensated absences	31,787	
Other postemployment benefits	(142,093)	(71,444)

Changes in net assets of governmental activities (page 19) \$ (97,722)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 173,296
Interfund	2,600
Accounts receivable	2,887
Due from other governments	696
Inventories	16,010
Total current assets	<u>195,489</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	489,142
Total non-current assets	<u>489,142</u>
TOTAL ASSETS	<u>684,631</u>
LIABILITIES	
Current liabilities:	
Accounts payable	417
Unearned revenue	10,722
Total current liabilities	<u>11,139</u>
Long-term liabilities:	
Net OPEB liability	14,931
Total long-term liabilities	<u>14,931</u>
TOTAL LIABILITIES	<u>26,070</u>
NET ASSETS	
Invested in capital assets	489,142
Unrestricted	169,419
TOTAL NET ASSETS	<u>\$ 658,561</u>

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, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 290,376
Miscellaneous	13,039
Total operating revenues	303,415
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	2,936
Supplies	6,060
	8,996
Non-instructional programs:	
Food service operations:	
Salaries	368,869
Benefits	163,064
Services	5,532
Supplies	518,430
Depreciation	72,336
	1,128,231
Total operating expenses	1,137,227
Operating loss	(833,812)
Non-operating revenues:	
State sources	8,572
Federal sources	592,406
Interest income	752
Total non-operating revenues	601,730
Change in net assets	(232,082)
Net assets beginning of year	890,643
Net assets end of year	\$ 658,561

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 365,716
Cash received from miscellaneous operating activities	13,039
Cash payments to employees for services	(525,879)
Cash payments to suppliers for goods or services	(473,019)
Net cash used in operating activities	(620,143)
Cash flows from non-capital financing activities:	
Interfund loan to the General Fund	(2,600)
State grants received	8,572
Federal grants received	531,771
Net cash provided by non-capital financing activities	537,743
Cash flows from investing activities:	
Interest on investments	752
Cash flows from capital financing activities:	
Purchase of assets	(1,864)
Net cash used in financing activities	(1,864)
Net decrease in cash and cash equivalents	(83,512)
Cash and cash equivalents at beginning of year	256,808
Cash and cash equivalents at end of year	\$ 173,296
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (833,812)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	62,317
Depreciation	72,336
Decrease in inventories	580
Decrease in accounts receivables	76,456
Decrease in accounts payable	(2,958)
Decrease in unearned revenue	(1,116)
Increase in other postemployment benefits	6,054
Net cash used in operating activities	\$ (620,143)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$62,317.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
Assets	
Cash and pooled investments	\$ 131,064
Liabilities	0
Net Assets	
Reserved for scholarships	\$ 131,064

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarships</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 25,000
Interest income	2,924
TOTAL ADDITIONS	<u>27,924</u>
DEDUCTIONS:	
Instruction:	
Regular:	
Scholarship awarded	<u>2,397</u>
Change in net assets	25,527
Net assets beginning of year	<u>105,537</u>
Net assets end of year	<u>\$ 131,064</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles 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
Intangibles	25,000
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
Intangibles	5 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, 2010. 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, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance

deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$8,201,454 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 371,579

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

(4) Due From and Due to Other Funds

Receivable Fund	Payable Fund	Amount
School Nutrition	General	\$ 2,600
General	Special Revenue: Student Activity	2,402
Total		\$ 5,002

The General Fund is repaying the School Nutrition Fund for state reimbursements deposited in the wrong fund. The Special Revenue, Student Activity Fund is repaying the general Fund for wages of concession stand employees. These balances will be repaid by June 30, 2011.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 925,364	1,864	0	927,228
Less accumulated depreciation	365,750	72,336	0	438,086
Business type activities capital assets, net	\$ 559,614	(70,472)	0	489,142

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 870,063	0	0	870,063
Construction in progress	53,209	685,739	738,948	0
Total capital assets not being depreciated	<u>923,272</u>	<u>685,739</u>	<u>738,948</u>	<u>870,063</u>
Capital assets being depreciated:				
Buildings	25,742,559	311,910	0	26,054,469
Land improvements	1,136,252	492,433	0	1,628,685
Machinery and equipment	5,268,538	310,818	385,443	5,193,913
Total capital assets being depreciated	<u>32,147,349</u>	<u>1,115,161</u>	<u>385,443</u>	<u>32,877,067</u>
Less accumulated depreciation for:				
Buildings	8,352,307	494,377	0	8,846,684
Land improvements	778,086	63,019	0	841,105
Machinery and equipment	4,350,232	311,906	207,442	4,454,696
Total accumulated depreciation	<u>13,480,625</u>	<u>869,302</u>	<u>207,442</u>	<u>14,142,485</u>
Total capital assets being depreciated, net	<u>18,666,724</u>	<u>245,859</u>	<u>178,001</u>	<u>18,734,582</u>
Governmental activities capital assets, net	<u>\$ 19,589,996</u>	<u>931,598</u>	<u>916,949</u>	<u>19,604,645</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 148,379
Other		38,275
Support services:		
Student services		2,185
Administration services		10,659
Operation and maintenance of plant services		24,238
Transportation		88,170
		<u>311,906</u>
Unallocated depreciation		<u>557,396</u>
Total governmental activities depreciation expense		<u>\$ 869,302</u>
Business type activities:		
Food services		<u>\$ 72,336</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,360,000	0	460,000	4,900,000	475,000
Revenue bonds	99,307	0	99,307	0	0
Early retirement	1,247,202	447,735	486,597	1,208,340	548,716
Compensated absences	195,100	163,313	195,100	163,313	163,313
Net OPEB liability	194,972	142,093	0	337,065	0
Total	<u>\$ 7,096,581</u>	<u>753,141</u>	<u>1,241,004</u>	<u>6,608,718</u>	<u>1,187,029</u>
Business Type Activities:					
Net OPEB liability	<u>\$ 8,877</u>	<u>6,054</u>	<u>0</u>	<u>14,931</u>	<u>0</u>

General Obligation Bonds Payable

Details of the District's June 30, 2010 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue March 24, 2003			
	Interest Rate	Principal	Interest	Total
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	3.70	540,000	112,690	652,690
2016-2019	3.80-4.00	2,360,000	238,330	2,598,330
Total		\$ 4,900,000	979,926	5,879,926

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, 2010 totaled \$486,597.

(7) 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary for the years ended June 30, 2009 and June 30, 2010. 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, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$891,133, \$847,017, and \$781,103, respectively, equal to the required contributions for each year.

(8) 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, 2010.

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, 2010, 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		8,154
Adjustment to annual required contribution		(11,562)
Annual OPEB cost (expense)		<u>474,021</u>
Contributions made		(325,874)
Increase in net OPEB obligation		<u>148,147</u>
Net OPEB obligation - beginning of year		<u>203,849</u>
Net OPEB obligation - end of year	\$	<u><u>351,996</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2010.

For fiscal year 2010, the District contributed \$325,874 to the medical plan. Plan members receiving benefits contributed \$56,963, or 15% 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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$474,021	68.75%	\$351,996

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$12.644 million, and the ratio of the UAAL to the covered payroll was 32.46%. As of June 30, 2010, 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, 2009 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.

(9) Risk Management

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.

(10) 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 \$902,280 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Homeschool assistance program	\$ 195,724
Talented and gifted	29,551
Four-year-old preschool	28,817
Beginning teacher mentoring	538
Beginning administrator mentoring	1,500
Textbook aid for non-public students	323
Model core curriculum	33,139
Professional development	124,593
Market factor incentives	1,818
Basic Salary	97,491
Total	<u>\$ 513,494</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,621,304	304,167	8,925,471	9,670,875	9,670,875	(745,404)
Intermediate sources	0	0	0	225,000	225,000	(225,000)
State sources	11,894,011	8,572	11,902,583	14,344,764	14,344,764	(2,442,181)
Federal sources	3,164,595	592,406	3,757,001	1,825,000	1,825,000	1,932,001
Total revenues	<u>23,679,910</u>	<u>905,145</u>	<u>24,585,055</u>	<u>26,065,639</u>	<u>26,065,639</u>	<u>(1,480,584)</u>
Expenditures/Expenses:						
Instruction	14,914,770	0	14,914,770	15,840,000	16,340,000	1,425,230
Support services	6,758,795	8,996	6,767,791	7,330,200	7,330,200	562,409
Non-instructional programs	185,731	1,128,231	1,313,962	2,300,000	2,300,000	986,038
Other expenditures	2,442,145	0	2,442,145	3,377,817	3,377,817	935,672
Total expenditures/expenses	<u>24,301,441</u>	<u>1,137,227</u>	<u>25,438,668</u>	<u>28,848,017</u>	<u>29,348,017</u>	<u>3,909,349</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(621,531)	(232,082)	(853,613)	(2,782,378)	(3,282,378)	2,428,765
Other financing sources, net	19,713	0	19,713	2,500	2,500	22,213
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(601,818)	(232,082)	(833,900)	(2,779,878)	(3,279,878)	2,450,978
Balance beginning of year	6,844,700	890,643	7,735,343	6,348,527	6,348,527	1,386,816
Balance end of year	<u>\$ 6,242,882</u>	<u>658,561</u>	<u>6,901,443</u>	<u>3,568,649</u>	<u>3,068,649</u>	<u>3,837,794</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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, 2010, the District adopted one budget amendment increasing instructional expenditures by \$500,000.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	-	\$ 4,104	\$ 4,104	0.0%	\$ 11,837	34.7%
2010	July 1, 2009	-	4,104	4,104	0.0%	12,644	32.5%

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

OTHER SUPPLEMENTARY INFORMATION

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	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	\$ 64,410	114,949	179,359	113,028	292,387
Receivables:					
Property tax:					
Delinquent	0	2,482	2,482	7,964	10,446
Succeeding year	0	121,560	121,560	130,363	251,923
Accounts	555	0	555	0	555
Total Assets	\$ 64,965	238,991	303,956	251,355	555,311
Liabilities and Fund Balances					
Interfund payable	\$ 2,402	0	2,402	0	2,402
Liabilities:					
Accounts payable	12,104	0	12,104	0	12,104
Deferred revenue:					
Succeeding year property tax	0	121,560	121,560	130,363	251,923
Total liabilities	14,506	121,560	136,066	130,363	266,429
Fund balances:					
Reserved for debt service	0	0	0	120,992	120,992
Unreserved fund balances	50,459	117,431	167,890	0	167,890
Total fund balances	50,459	117,431	167,890	120,992	288,882
Total Liabilities and Fund Balances	\$ 64,965	238,991	303,956	251,355	555,311

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, 2010

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Physical Plant and Equipment Levy	Total Special Revenue Funds			
REVENUES:					
Local sources:					
Local tax	\$ 0	122,824	122,824	386,205	509,029
Other	246,073	3,115	249,188	313	249,501
TOTAL REVENUES	246,073	125,939	372,012	386,518	758,530
EXPENDITURES:					
Current:					
Instruction:					
Other	292,059	0	292,059	0	292,059
Support services:					
Administration	0	0	0	1,400	1,400
Operation and maintenance of plant	0	14,022	14,022	0	14,022
Transportation	0	104,575	104,575	0	104,575
Other expenditures:					
Facilities acquisitions	0	209,570	209,570	0	209,570
Long-term debt:					
Principal	0	0	0	559,307	559,307
Interest and fiscal charges	0	0	0	198,084	198,084
TOTAL EXPENDITURES	292,059	328,167	620,226	758,791	1,379,017
Deficiency of revenues under expenditures	(45,986)	(202,228)	(248,214)	(372,273)	(620,487)
Other financing sources:					
Transfers in	0	0	0	371,579	371,579
Change in fund balances	(45,986)	(202,228)	(248,214)	(694)	(248,908)
Fund balances beginning of year	96,445	319,659	416,104	121,686	537,790
Fund balances end of year	\$ 50,459	117,431	167,890	120,992	288,882

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS class of 2013	0	197	150	47
HS class of 2014	0	15	0	15
HS special education club	349	39	200	188
HS friends of rachel club	475	79	0	554
HS athletics	1,983	11,969	13,564	388
HS special athletics	147	0	0	147
HS weight room	12,283	0	12,272	11
HS student activity	0	72	(25)	97
HS concessions	87	48,375	47,452	1,010
HS little feather	3,183	11,784	14,967	0
HS cheerleaders	2,765	6,982	9,747	0
HS special needs friends	159	0	0	159
HS bowling	840	493	953	380
HS gaming	15	0	15	0
HS learning center	2,103	0	1,889	214
MS vocal music	3,189	0	0	3,189
MS instrument music	854	2,081	933	2,002
MS boys basketball	0	1,798	1,798	0
MS football	0	1,461	1,461	0
MS boys track	0	778	778	0
MS wrestling	0	785	785	0
MS girls basketball	0	1,758	1,758	0
MS volleyball	1,500	1,938	1,007	2,431
MS girls track	609	399	1,008	0
MS yearbook	4,024	3,074	2,505	4,593
MS language arts club	0	2,869	1,702	1,167
MS science club	0	6,815	4,081	2,734
MS math contests	1,588	1,391	394	2,585
MS SPED club	326	374	525	175
MS student athletes	1,807	1,902	1,397	2,312
MS student activities	5,613	5,969	10,453	1,129
MS cheerleaders	0	49	49	0
MS learn connects	0	2,056	173	1,883
HS softball fundraiser	13	25	38	0
Total	\$ 96,445	246,073	292,059	50,459

KEOKUK COMMUNITY SCHOOL DISTRICT

KEOKUK COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
FIDUCIARY FUND, PRIVATE PURPOSE TRUST
JUNE 30, 2010

		Private Purpose Trust - Scholarship Fund												
		Black Sims Award	Kilborne Prize	William Aldrich Trust	Elizabeth Wilson Leake Award	Maud Marshall Hassall	WM J Sigmund Memorial	Edna Sears Trust	Wilber Erickson	Edna Meirotto	Edna Meirotto	Edna Meirotto	Ming Chung	Total
ASSETS														
	Cash and pooled investments	\$ 588	10,064	4,022	13,712	10,965	8,293	7,698	7,005	10,392	10,510	25,000	22,815	131,064
	TOTAL ASSETS	588	10,064	4,022	13,712	10,965	8,293	7,698	7,005	10,392	10,510	25,000	22,815	131,064
LIABILITIES		0	0	0	0	0	0	0	0	0	0	0	0	0
NET ASSETS														
	Reserved for scholarships	\$ 588	10,064	4,022	13,712	10,965	8,293	7,698	7,005	10,392	10,510	25,000	22,815	131,064

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, 2010

Private Purpose Trust - Scholarship Fund													
	Black Sims Award	Kilborne Prize	William Aldrick Trust	Elizabeth Wilson Leake Award	Maud Marshall Hassall	WM J Sigmund Memorial	Edna Sears Trust	Wilber Erickson	Edna Meirotto	Edna Meirotto	Edna Meirotto	Ming Chung	Total
ADDITIONS:													
Local sources:													
Gifts and contributions	\$ 0	0	0	0	0	0	0	0	0	0	25,000	0	25,000
Interest income	12	159	56	304	219	171	301	233	315	376	0	778	2,924
TOTAL ADDITIONS	12	159	56	304	219	171	301	233	315	376	25,000	778	27,924
DEDUCTIONS:													
Instruction:													
Regular:													
Scholarships awarded	0	159	0	505	468	399	0	201	0	665	0	0	2,397
Change in net assets	12	0	56	(201)	(249)	(228)	301	32	315	(289)	25,000	778	25,527
Net assets beginning of year	576	10,064	3,966	13,913	11,214	8,521	7,397	6,973	10,077	10,799	0	22,037	105,537
Net assets end of year	\$ 588	10,064	4,022	13,712	10,965	8,293	7,698	7,005	10,392	10,510	25,000	22,815	131,064

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,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Local sources:										
Local tax	\$ 7,897,093	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
Tuition	245,289	259,809	245,438	198,968	145,239	104,514	132,977	79,151	80,341	93,049
Other	478,922	676,673	969,653	1,054,607	812,557	665,075	738,371	965,510	1,435,570	1,670,068
Intermediate sources	0	0	178,312	210,708	237,966	248,905	17,335	0	0	1,250
State sources	11,894,011	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
Federal sources	3,164,595	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
Total	\$ 23,679,910	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
Expenditures:										
Instruction:										
Regular	\$ 8,880,479	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
Special	3,357,577	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
Other	2,676,714	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
Support services:										
Student	1,202,507	764,108	775,847	657,577	743,239	697,915	715,383	766,190	732,079	699,214
Instructional staff	563,412	549,095	496,602	517,981	522,756	420,808	421,299	399,603	538,396	449,894
Administration	2,442,702	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
Operation and maintenance of plant	1,949,854	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
Transportation	600,320	580,801	528,970	586,770	598,932	419,753	440,308	525,785	490,994	370,457
Other support	0	0	0	0	0	0	767	0	0	0
Non-instructional	185,731	254,758	445,944	541,631	695,083	916,281	828,507	799,318	757,623	56,156
Other expenditures:										
Facilities acquisitions	782,474	1,176,936	114,951	498,588	293,180	2,028,641	636,168	4,007,977	8,503,240	4,215,925
Long Term Debt:										
Principal	559,307	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
Interest	198,084	223,437	269,379	430,057	441,233	487,442	531,523	989,078	768,703	865,606
AEA flow-through	902,280	831,724	787,957	760,033	722,398	660,304	645,987	667,716	672,452	707,206
Total	\$ 24,301,441	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

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING COMMUNITIES)	84.215	FY 10	\$ 338,466
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 10	97,438
			<u>435,904</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	85,611
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	486,799 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	6,186
			<u>578,596</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 10	<u>13,810</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3312-G	745,384
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	82,271
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	161,875
			<u>989,530</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>10,703</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>33,225</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 10	<u>45,589</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	<u>155,573</u>
PARENTAL INFORMATION AND RESOURCE CENTERS	84.310	FY 10	<u>3,726</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 09	10,083
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 10	4,119
			<u>14,202</u>

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT: (CONTINUED)			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 10	127,128
ARRA - SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.391	FY 09	69,523
ARRA - SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.391	FY 10	119,736
			<u>316,387</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	195,354
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	555,280
			<u>750,634</u>
TOTAL			<u>\$ 3,347,879</u>

* - Includes \$62,317 of non-cash awards.

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.

KEOKUK COMMUNITY SCHOOL DISTRICT

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2011. 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 an 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We noted no deficiencies in internal controls that we consider to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-A-10 and II-B-10 to be significant deficiencies.

Compliance and Other Matters

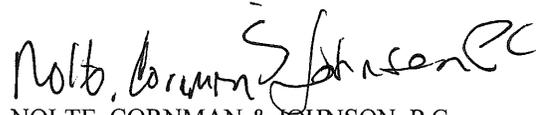
As part of obtaining reasonable assurance about whether Keokuk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 9, 2011

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 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, 2010. 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, 2010.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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 9, 2011

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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 disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Individual
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
 - CFDA Number 84.367 Title IIA - Federal Teacher Quality Program
 - Cluster
 - Fund For The Improvement of Education Cluster
 - CFDA Number 84.215 - Smaller Learning Communities
 - CFDA Number 84.215 - Carol M. White Physical Education Program
 - Special Education Cluster (IDEA):
 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 84.391 - ARRA - Special Education Grants to States (Part B)
- (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, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders were being completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will implement procedures to ensure that all purchases have a purchase order with the proper authorization before orders are placed.

Conclusion - Response accepted.

II-B-10 Checks Written as Bearer Paper - We noted during our audit that the District is writing checks to the bank which are later cashed at that bank for start-up money at District events.

Recommendation - The District writes various checks throughout the year for change boxes for start up cash at the gate for District events. It was noted that these checks were being written to the bank instead of the custodian/sponsor for these events and the bank. Checks made out to the bank alone are bearer paper and in the event the check would be lost or stolen, anyone could cash the check. In the future the District should write the check payable to the custodian/sponsor.

Response - We will comply and checks will now be made out to the sponsor and to the bank.

Conclusion - Response accepted.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL 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, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 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-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 as resident students was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter. The District has corrected its aid and levy to show the adjustment.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances in basic enrollment data certified to the Iowa Department of Education were noted

IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	0
Statewide sales, services and use tax revenue			1,703,078
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	192,515	
Equipment		171,544	
Other improvements		395,371	
Debt service for school infrastructure:			
General obligation debt		270,913	
Revenue debt		100,666	
			<u>1,131,009</u>
Ending balance		\$	<u>572,069</u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

	<u>Per \$1,000</u>	<u>Property Tax</u>
	<u>of Taxable</u>	<u>Dollars</u>
	<u>Valuation</u>	
Debt service levy	<u>\$ 0.74165</u>	<u>\$ 270,913</u>