

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

JUNE 30, 2011

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Keokuk Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|--|---------------------|
| Board of Education | | |
| Tyler McHghy | President | 2013 |
| Roger Kokemuller | Vice President | 2013 |
| Alka Khanolkar | Board Member | 2013 |
| Sandy Stark | Board Member | 2011 |
| Mike Steinkruger | Board Member (Resigned August 2010) | 2011 |
| Chris Lindner | Board Member | 2011 |
| Brent Gatton | Board Member (Resigned April 2011) | 2011 |
| Mike Beaird | Board Member (Appointed August 2010) | 2011 |
| Mark Pfaffe | Board Member (Appointed April 2011) | 2011 |
| School Officials | | |
| Dr. Lora Wolff | Superintendent | 2011 |
| Greg Reynolds | District Secretary/Treasurer and Business Manager | 2011 |
| Ahlers and Cooney, P.C. | Attorney | 2011 |
| Dorsey & Whitney, LLP | Attorney | 2011 |
| James F. Dennis | Attorney | 2011 |

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, 2011, 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, 2011, 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 January 31, 2012 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 44 through 46 are not required parts of the

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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, 2010 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9, 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.

January 31, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$20,446,423 in fiscal 2010 to \$21,718,728 in fiscal 2011, while General Fund expenditures decreased from \$21,360,605 in fiscal 2010 to \$20,788,532 in fiscal 2011. This resulted in a increase in the District's General Fund balance from \$3,366,226 in fiscal 2010 to a balance of \$4,296,422 in fiscal 2011, a 27.63% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenues in fiscal 2011. The decrease in expenditures was due primarily to a decrease in the negotiated salary and benefits.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 13.97% for fiscal year 2010 to 16.12% for fiscal year 2011.
- Capital expenditures of \$1,131,933 were made from the Statewide Sales, Services and Use Tax and PPEL Funds for various projects throughout the District. These projects included \$777,485 for architect fees on the High School renovation, \$102,416 for architect fees on the Elementary renovation, \$82,368 for a 77 passenger bus, \$28,378 for fencing at the bus barn, \$26,501 for District networking upgrades, \$12,302 for a mower, \$12,050 for the expansion of Hawthorne parking lot, \$7,208 for weight room equipment, \$6,200 for the expansion of the bus barn parking lot, and \$77,025 for miscellaneous projects.
- The District issued \$14,035,000 in revenue bonds during the year, which will be paid from statewide sales, services and use tax revenues. The bonds will be used to fund renovations at the high school and an addition at Hawthorne Elementary.
- 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 \$250,939 for 2011.
- This District will also be receiving the Elementary and Secondary School Counseling Grant over three years beginning with the fiscal 2010 year. The District received \$396,610 in year one, \$302,866 in year two and will be receiving \$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.

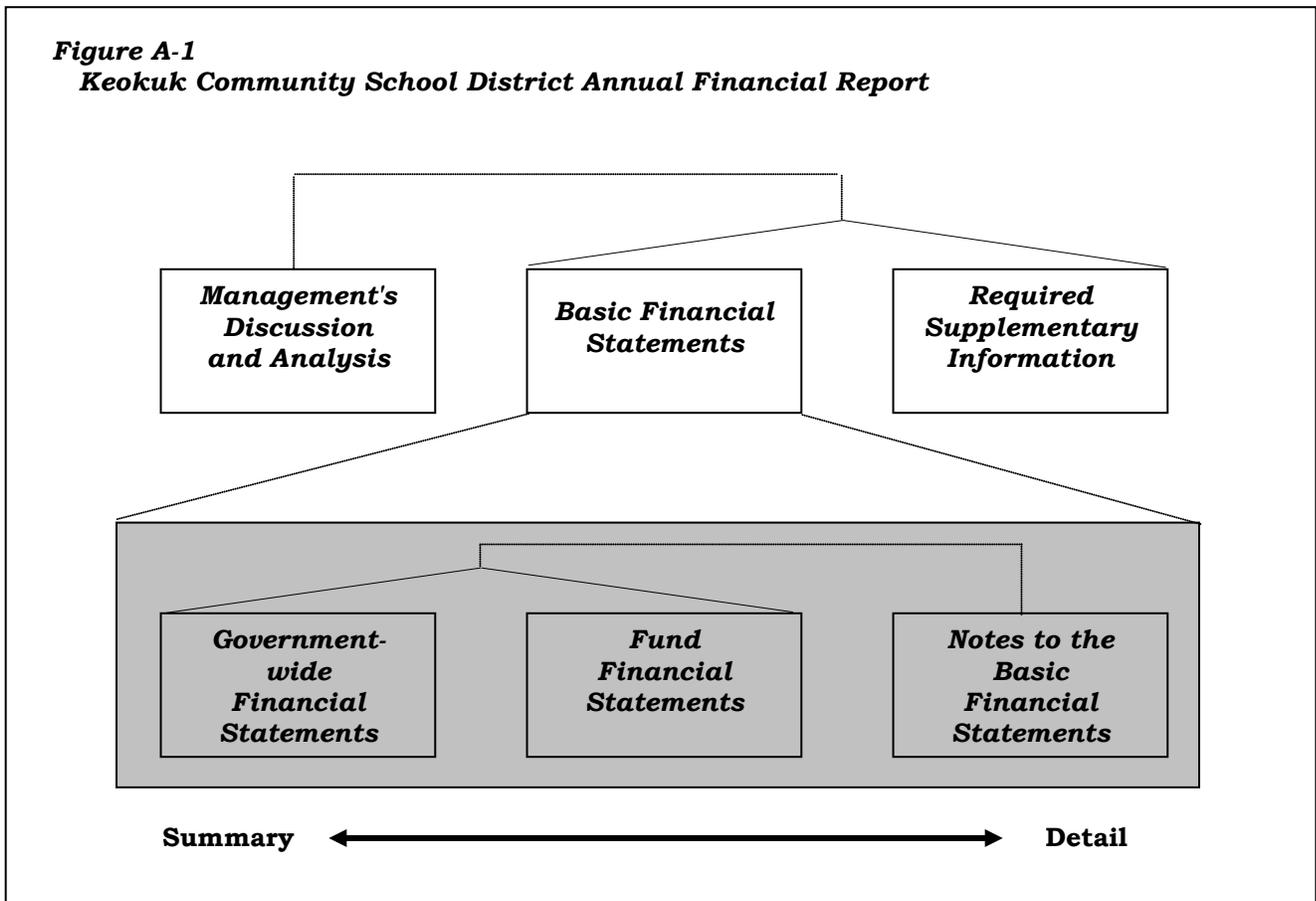


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

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, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Current and other assets | \$ 28,904,579 | 13,712,356 | 127,504 | 195,489 | 29,032,083 | 13,907,845 | 108.75% |
| Capital assets | 19,998,085 | 19,604,645 | 422,477 | 489,142 | 20,420,562 | 20,093,787 | 1.63% |
| Total assets | 48,902,664 | 33,317,001 | 549,981 | 684,631 | 49,452,645 | 34,001,632 | 45.44% |
| Long-term obligations | 20,045,524 | 6,608,718 | 3,438 | 14,931 | 20,048,962 | 6,623,649 | 202.69% |
| Other liabilities | 7,701,454 | 7,484,622 | 13,007 | 11,139 | 7,714,461 | 7,495,761 | 2.92% |
| Total liabilities | 27,746,978 | 14,093,340 | 16,445 | 26,070 | 27,763,423 | 14,119,410 | 96.63% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 13,750,621 | 14,704,645 | 422,477 | 489,142 | 14,173,098 | 15,193,787 | -6.72% |
| Restricted | 5,249,605 | 3,081,859 | 0 | 0 | 5,249,605 | 3,081,859 | 70.34% |
| Unrestricted | 2,155,460 | 1,437,157 | 111,059 | 169,419 | 2,266,519 | 1,606,576 | 41.08% |
| Total net assets | \$ 21,155,686 | 19,223,661 | 533,536 | 658,561 | 21,689,222 | 19,882,222 | 9.09% |

The District's combined net assets increased by 9.09% or \$1,807,000 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 \$2,167,746 or 70.34% over the prior year. The increase was primarily a result of the increase in the Capital Projects Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$659,943 or 41.08%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

| | Governmental | | Business type | | Total | | Total |
|--|---------------|------------|---------------|-----------|-----------------|------------|----------|
| | Activities | | Activities | | School District | | Change |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 546,563 | 573,589 | 253,300 | 290,376 | 799,863 | 863,965 | -7.42% |
| Operating grants and contributions and restricted interest | 3,950,235 | 5,595,130 | 627,495 | 600,978 | 4,577,730 | 6,196,108 | -26.12% |
| Capital grants and contributions and restricted interest | 0 | 7,267 | 0 | 0 | 0 | 7,267 | -100.00% |
| General revenues: | | | | | | | |
| Property tax | 6,233,969 | 6,194,015 | 0 | 0 | 6,233,969 | 6,194,015 | 0.65% |
| Statewide sales, services and use tax | 1,572,824 | 1,703,078 | 0 | 0 | 1,572,824 | 1,703,078 | -7.65% |
| Unrestricted state grants | 11,395,160 | 9,491,690 | 0 | 0 | 11,395,160 | 9,491,690 | 20.05% |
| Nonspecific program federal grants | 750,453 | 0 | 0 | 0 | 750,453 | 0 | 100.00% |
| Other | 225,911 | 115,141 | 5,623 | 13,791 | 231,534 | 128,932 | 79.58% |
| Total revenues | 24,675,115 | 23,679,910 | 886,418 | 905,145 | 25,561,533 | 24,585,055 | 3.97% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 14,927,427 | 15,105,901 | 0 | 0 | 14,927,427 | 15,105,901 | -1.18% |
| Support services | 5,981,295 | 6,798,092 | 6,875 | 8,996 | 5,988,170 | 6,807,088 | -12.03% |
| Non-instructional programs | 505 | 186,123 | 1,004,568 | 1,128,231 | 1,005,073 | 1,314,354 | -23.53% |
| Other expenses | 1,833,863 | 1,687,516 | 0 | 0 | 1,833,863 | 1,687,516 | 8.67% |
| Total expenses | 22,743,090 | 23,777,632 | 1,011,443 | 1,137,227 | 23,754,533 | 24,914,859 | -4.66% |
| Changes in net assets | 1,932,025 | (97,722) | (125,025) | (232,082) | 1,807,000 | (329,804) | 647.90% |
| Net assets beginning of year, as restated | 19,223,661 | 19,321,383 | 658,561 | 890,643 | 19,882,222 | 20,212,026 | -1.63% |
| Net assets end of year | \$ 21,155,686 | 19,223,661 | 533,536 | 658,561 | 21,689,222 | 19,882,222 | 9.09% |

In fiscal 2011, property tax, statewide sales, services and use tax and unrestricted state grants account for 77.82% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.37% of the revenue from business type activities.

The District's total revenues were approximately \$25.56 million, of which \$24.67 million was for governmental activities and approximately \$0.89 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.97% increase in revenues and a 4.66% decrease in expenses. The decreases in expenses were related to decreases in negotiated salaries and benefits expenses as well as a decrease in expenses related to the net OPEB liability.

Governmental Activities

Revenues for governmental activities were \$24,675,115 and expenses were \$22,743,090.

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 | | |
| | 2011 | 2010 | Change 2010-11 | 2011 | 2010 | Change 2010-11 |
| Instruction | \$ 14,927,427 | 15,105,901 | -1.18% | 11,643,876 | 9,909,231 | 17.51% |
| Support services | 5,981,295 | 6,798,092 | -12.02% | 5,669,056 | 6,781,689 | -16.41% |
| Non- instructional programs | 505 | 186,123 | -99.73% | 505 | 125,490 | -99.60% |
| Other expenses | 1,833,863 | 1,687,516 | 8.67% | 932,855 | 785,236 | 18.80% |
| Total | \$ 22,743,090 | 23,777,632 | -4.35% | 18,246,292 | 17,601,646 | 3.66% |

- The cost financed by users of the District's programs was \$546,563.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,950,235.
- The net cost of governmental activities was financed with \$6,233,969 in property tax, \$1,572,824 in statewide sales, service and use tax, \$11,395,160 in unrestricted state grants, \$750,453 in nonspecific program federal grants, \$43,400 in interest income and \$182,511 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$886,418 and expenses were \$1,011,443. 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 \$21,406,060, compared to last year's ending fund balances of \$6,242,882. However, the primary reason for the increase was due to the District issuing revenue bonds of \$14,035,000.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. The District's General Fund expenditures decreased from the prior year due to salary and benefits costs being reduced. Revenues increased during the year by 6.22% as the result of increased property tax and state source revenues.
- The District actually received \$892,283 more in state sources and \$118,996 more in federal sources during fiscal 2011 as compared with the previous year. The increase in federal sources was mainly a result of the funding received by the District under the funding for the improvement of education.

-
- The Management Levy Fund balance increased to \$443,119 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 from a restated balance of \$2,396,914 at the beginning of the fiscal year 2011 to \$16,491,647. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The increase was the result of the District issuing \$14,035,000 in revenue bonds during the year. The proceeds from the revenue bonds will be used to funds renovations at the High School.

Proprietary Fund Highlights

As discussed earlier, the School Nutrition Fund net assets decreased \$125,025. The change in net assets associated with the serving of the District's students was minimal.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,018,431 less than budgeted revenues, a variance of 3.83%. 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, 2011, the District had invested \$20,420,562, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.63% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$750,827.

The original cost of the District's capital assets was \$35,158,083. Governmental funds account for \$34,226,167 with the remainder of \$931,916 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2010, compared to \$879,901 reported at June 30, 2011. This increase resulted from the District beginning renovation projects at the High School and Elementary School.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business type | | Total | | Total Change June 30, 2010-11 |
|--------------------------|---------------|------------|---------------|---------|-----------------|------------|--|
| | Activities | | Activities | | School District | | |
| | June 30, | | June 30, | | June 30, | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Land | \$ 870,063 | 870,063 | 0 | 0 | 870,063 | 870,063 | 0.00% |
| Construction in progress | 879,901 | 0 | 0 | 0 | 879,901 | 0 | 100.00% |
| Buildings | 16,713,408 | 17,207,785 | 0 | 0 | 16,713,408 | 17,207,785 | -2.87% |
| Land improvements | 763,599 | 787,580 | 0 | 0 | 763,599 | 787,580 | -3.04% |
| Machinery and equipment | 771,114 | 739,217 | 422,477 | 489,142 | 1,193,591 | 1,228,359 | -2.83% |
| Total | \$ 19,998,085 | 19,604,645 | 422,477 | 489,142 | 20,420,562 | 20,093,787 | 1.63% |

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$20,048,962 in general obligation bonds, revenue bonds and other long-term debt. This represents a decrease of 202.69% 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 \$4,425,000 at June 30, 2011.

The District had outstanding Revenue Bonds payable of \$14,035,000 at June 30, 2011. These are payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding early retirement payable from the Special Revenue, Management Fund of \$1,378,920 at June 30, 2011.

The District had outstanding compensated absences payable from the General Fund of \$155,781 at June 30, 2011.

The District had a net OPEB liability of \$50,823 in the governmental activities and \$3,438 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental | | Business type | | Total | | Total Change June 30, 2010-11 |
|--------------------------|---------------|-----------|---------------|--------|-----------------|-----------|--|
| | Activities | | Activities | | School District | | |
| | June 30, | | June 30, | | June 30, | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| General obligation bonds | \$ 4,425,000 | 4,900,000 | 0 | 0 | 4,425,000 | 4,900,000 | -9.69% |
| Revenue bonds | 14,035,000 | 0 | 0 | 0 | 14,035,000 | 0 | 100.00% |
| Early retirement | 1,378,920 | 1,208,340 | 0 | 0 | 1,378,920 | 1,208,340 | 14.12% |
| Compensated absences | 155,781 | 163,313 | 0 | 0 | 155,781 | 163,313 | -4.61% |
| Net OPEB obligation | 50,823 | 337,065 | 3,438 | 14,931 | 54,261 | 351,996 | -84.58% |
| Total | \$ 20,045,524 | 6,608,718 | 3,438 | 14,931 | 20,048,962 | 6,623,649 | 202.69% |

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 of declining enrollment and the trend is projected to continue for the near future. The October 2010 count resulted in a decrease of 92 students.

-
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 5-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009, to 6.95% on July 1, 2010 and finally to 8.07% on July 1, 2011. This will increase the Keokuk Community Schools employer benefit costs.
 - With the ten percent across-the-board reduction in 2009, the district has been forced to continue to implement cost-saving measures and put together a plan for the remainder of the 2011/2012 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 no growth 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, 2011

| | Governmental Activities | Business type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 21,609,593 | 108,276 | 21,717,869 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 101,952 | 0 | 101,952 |
| Succeeding year | 6,556,574 | 0 | 6,556,574 |
| Accounts | 65 | 2,437 | 2,502 |
| Due from other funds | 0 | 1,949 | 1,949 |
| Due from other governments | 636,395 | 3,351 | 639,746 |
| Inventories | 0 | 11,491 | 11,491 |
| Capital assets, net of accumulated depreciation | 19,998,085 | 422,477 | 20,420,562 |
| Total Assets | 48,902,664 | 549,981 | 49,452,645 |
| Liabilities | | | |
| Due to other funds | 1,949 | 0 | 1,949 |
| Accounts payable | 425,556 | 3,053 | 428,609 |
| Interest payable | 202,935 | 0 | 202,935 |
| Deferred revenue: | | | |
| Succeeding year property tax | 6,556,574 | 0 | 6,556,574 |
| Other | 514,440 | 0 | 514,440 |
| Unearned revenue | 0 | 9,954 | 9,954 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 490,000 | 0 | 490,000 |
| Early retirement | 568,568 | 0 | 568,568 |
| Compensated absences | 155,781 | 0 | 155,781 |
| Portion due after one year: | | | |
| General obligation bonds | 3,935,000 | 0 | 3,935,000 |
| Revenue bonds | 14,035,000 | 0 | 14,035,000 |
| Early retirement | 810,352 | 0 | 810,352 |
| Net OPEB liability | 50,823 | 3,438 | 54,261 |
| Total Liabilities | 27,746,978 | 16,445 | 27,763,423 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 13,750,621 | 422,477 | 14,173,098 |
| Restricted for: | | | |
| Categorical funding | 795,622 | 0 | 795,622 |
| Debt service | 1,390,530 | 0 | 1,390,530 |
| School infrastructure | 2,877,531 | 0 | 2,877,531 |
| Physical plant and equipment levy | 132,425 | 0 | 132,425 |
| Student activities | 53,497 | 0 | 53,497 |
| Unrestricted | 2,155,460 | 111,059 | 2,266,519 |
| Total Net Assets | \$ 21,155,686 | 533,536 | 21,689,222 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|----------------------|-----------------|----------------------------|--|--------------------------------|---------------------|
| | Expenses | Charges | Contributions | Govern- mental Activities | Business Type Activities | Total |
| | | for Services | and Restricted Interest | | | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 8,734,323 | 232,320 | 823,173 | (7,678,830) | 0 | (7,678,830) |
| Special | 3,445,050 | 9,230 | 855,094 | (2,580,726) | 0 | (2,580,726) |
| Other | 2,748,054 | 299,227 | 1,064,507 | (1,384,320) | 0 | (1,384,320) |
| | <u>14,927,427</u> | <u>540,777</u> | <u>2,742,774</u> | <u>(11,643,876)</u> | <u>0</u> | <u>(11,643,876)</u> |
| Support services: | | | | | | |
| Student | 909,223 | 0 | 302,866 | (606,357) | 0 | (606,357) |
| Instructional staff | 595,359 | 0 | 0 | (595,359) | 0 | (595,359) |
| Administration | 2,285,014 | 0 | 0 | (2,285,014) | 0 | (2,285,014) |
| Operation and maintenance of plant | 1,694,977 | 0 | 0 | (1,694,977) | 0 | (1,694,977) |
| Transportation | 496,722 | 5,786 | 3,587 | (487,349) | 0 | (487,349) |
| | <u>5,981,295</u> | <u>5,786</u> | <u>306,453</u> | <u>(5,669,056)</u> | <u>0</u> | <u>(5,669,056)</u> |
| Non-instructional program: | | | | | | |
| Community service and education operations | 505 | 0 | 0 | (505) | 0 | (505) |
| Other expenditures: | | | | | | |
| Long-term debt interest | 370,142 | 0 | 0 | (370,142) | 0 | (370,142) |
| AEA flowthrough | 901,008 | 0 | 901,008 | 0 | 0 | 0 |
| Depreciation(unallocated)* | 562,713 | 0 | 0 | (562,713) | 0 | (562,713) |
| | <u>1,833,863</u> | <u>0</u> | <u>901,008</u> | <u>(932,855)</u> | <u>0</u> | <u>(932,855)</u> |
| Total governmental activities | 22,743,090 | 546,563 | 3,950,235 | (18,246,292) | 0 | (18,246,292) |
| Business type activities: | | | | | | |
| Support services: | | | | | | |
| Operation and maintenance of plant | 6,875 | 0 | 0 | 0 | (6,875) | (6,875) |
| Non-instructional programs: | | | | | | |
| Food service operations | 1,004,568 | 253,300 | 627,495 | 0 | (123,773) | (123,773) |
| Total business type activities | 1,011,443 | 253,300 | 627,495 | 0 | (130,648) | (130,648) |
| Total | <u>\$ 23,754,533</u> | <u>799,863</u> | <u>4,577,730</u> | <u>(18,246,292)</u> | <u>(130,648)</u> | <u>(18,376,940)</u> |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 5,981,857 | 0 | 5,981,857 |
| Debt service | | | | 130,461 | 0 | 130,461 |
| Capital outlay | | | | 121,651 | 0 | 121,651 |
| Statewide sales, services and use tax | | | | 1,572,824 | 0 | 1,572,824 |
| Unrestricted state grants | | | | 11,395,160 | 0 | 11,395,160 |
| Nonspecific program federal grants | | | | 750,453 | 0 | 750,453 |
| Unrestricted investment earnings | | | | 43,400 | 295 | 43,695 |
| Other general revenues | | | | 182,511 | 5,328 | 187,839 |
| Total general revenues | | | | <u>20,178,317</u> | <u>5,623</u> | <u>20,183,940</u> |
| Changes in net assets | | | | 1,932,025 | (125,025) | 1,807,000 |
| Net assets beginning of year | | | | 19,223,661 | 658,561 | 19,882,222 |
| Net assets end of year | | | | <u>\$ 21,155,686</u> | <u>533,536</u> | <u>21,689,222</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | Management | | | Other | Total |
|--|----------------------|------------------|---------------------|-----------------------------------|-------------------|
| | General | Levy Fund | Capital Projects | Nonmajor Governmental Funds | |
| Assets | | | | | |
| Cash and pooled investments | \$ 4,678,429 | 431,259 | 16,319,564 | 180,341 | 21,609,593 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 84,994 | 13,198 | 1,814 | 1,946 | 101,952 |
| Succeeding year | 5,236,408 | 800,000 | 124,066 | 396,100 | 6,556,574 |
| Accounts | 65 | 0 | 0 | 0 | 65 |
| Due from other governments | 336,629 | 0 | 299,766 | 0 | 636,395 |
| Total Assets | \$ 10,336,525 | 1,244,457 | 16,745,210 | 578,387 | 28,904,579 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Due to other funds | \$ 1,949 | 0 | 0 | 0 | 1,949 |
| Accounts payable | 287,306 | 1,338 | 129,497 | 7,415 | 425,556 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 5,236,408 | 800,000 | 124,066 | 396,100 | 6,556,574 |
| Other | 514,440 | 0 | 0 | 0 | 514,440 |
| Total liabilities | 6,040,103 | 801,338 | 253,563 | 403,515 | 7,498,519 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 795,622 | 0 | 0 | 0 | 795,622 |
| Management levy purposes | 0 | 443,119 | 0 | 0 | 443,119 |
| Debt service | 0 | 0 | 1,269,155 | 121,375 | 1,390,530 |
| Construction | 0 | 0 | 12,212,536 | 0 | 12,212,536 |
| School infrastructure | 0 | 0 | 2,877,531 | 0 | 2,877,531 |
| Physical plant and equipment | 0 | 0 | 132,425 | 0 | 132,425 |
| Student activities | 0 | 0 | 0 | 53,497 | 53,497 |
| Unassigned | 3,500,800 | 0 | 0 | 0 | 3,500,800 |
| Total fund balances | 4,296,422 | 443,119 | 16,491,647 | 174,872 | 21,406,060 |
| Total Liabilities and Fund Balances | \$ 10,336,525 | 1,244,457 | 16,745,210 | 578,387 | 28,904,579 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

| | |
|---|-----------------------------|
| Total fund balances of governmental funds(page 20) | \$ 21,406,060 |
| <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. | 19,998,085 |
| 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. | (202,935) |
| 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>(20,045,524)</u> |
| Net assets of governmental activites(page 18) | <u><u>\$ 21,155,686</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

| | General | Management Levy Fund | Capital Projects | Other Nonmajor Governmental Funds | Total |
|--|---------------------|----------------------------|---------------------|--|-------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 5,177,828 | 804,029 | 1,694,475 | 130,461 | 7,806,793 |
| Tuition | 213,446 | 0 | 0 | 0 | 213,446 |
| Other | 252,694 | 32,113 | 25,684 | 274,500 | 584,991 |
| State sources | 12,786,294 | 0 | 0 | 0 | 12,786,294 |
| Federal sources | 3,283,591 | 0 | 0 | 0 | 3,283,591 |
| Total revenues | <u>21,713,853</u> | <u>836,142</u> | <u>1,720,159</u> | <u>404,961</u> | <u>24,675,115</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 8,125,586 | 446,557 | 7,208 | 0 | 8,579,351 |
| Special | 3,515,554 | 0 | 0 | 0 | 3,515,554 |
| Other | 2,498,087 | 0 | 0 | 271,228 | 2,769,315 |
| | <u>14,139,227</u> | <u>446,557</u> | <u>7,208</u> | <u>271,228</u> | <u>14,864,220</u> |
| Support services: | | | | | |
| Student | 941,225 | 0 | 0 | 0 | 941,225 |
| Instructional staff | 607,845 | 0 | 0 | 0 | 607,845 |
| Administration | 2,198,717 | 25,861 | 89,925 | 1,450 | 2,315,953 |
| Operation and maintenance of plant | 1,573,570 | 166,621 | 12,302 | 0 | 1,752,493 |
| Transportation | 426,435 | 62,275 | 82,368 | 0 | 571,078 |
| | <u>5,747,792</u> | <u>254,757</u> | <u>184,595</u> | <u>1,450</u> | <u>6,188,594</u> |
| Non-instructional programs: | | | | | |
| Community service and education operations | 505 | 0 | 0 | 0 | 505 |
| Other expenditures: | | | | | |
| Facilities acquisitions | 0 | 0 | 940,130 | 0 | 940,130 |
| Long-term debt: | | | | | |
| Principal | 0 | 0 | 0 | 475,000 | 475,000 |
| Interest and fiscal charges | 0 | 0 | 0 | 182,355 | 182,355 |
| AEA flowthrough | 901,008 | 0 | 0 | 0 | 901,008 |
| | <u>901,008</u> | <u>0</u> | <u>940,130</u> | <u>657,355</u> | <u>2,498,493</u> |
| Total expenditures | <u>20,788,532</u> | <u>701,314</u> | <u>1,131,933</u> | <u>930,033</u> | <u>23,551,812</u> |
| Excess(deficiency) of revenues over(under) expenditures | 925,321 | 134,828 | 588,226 | (525,072) | 1,123,303 |
| Other financing sources(uses): | | | | | |
| Transfers in | 0 | 0 | 0 | 705,877 | 705,877 |
| Transfers out | 0 | 0 | (705,877) | 0 | (705,877) |
| Revenue bond issuance | 0 | 0 | 14,035,000 | 0 | 14,035,000 |
| Premium on bond issuance | 0 | 0 | 177,384 | 0 | 177,384 |
| Proceeds from disposal of property | 4,875 | 0 | 0 | 0 | 4,875 |
| Remarketing fee on bonds | 0 | 0 | 0 | (177,384) | (177,384) |
| Total other financing sources(uses) | <u>4,875</u> | <u>0</u> | <u>13,506,507</u> | <u>528,493</u> | <u>14,039,875</u> |
| Net change in fund balances | 930,196 | 134,828 | 14,094,733 | 3,421 | 15,163,178 |
| Fund balance beginning of year, as restated | 3,366,226 | 308,291 | 2,396,914 | 171,451 | 6,242,882 |
| Fund balance end of year | <u>\$ 4,296,422</u> | <u>443,119</u> | <u>16,491,647</u> | <u>174,872</u> | <u>21,406,060</u> |

SEE NOTES TO 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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 15,163,178

**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 exceeded depreciation expense in the current year, as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,072,914 | |
| Depreciation expense | <u>(679,474)</u> | 393,440 |

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

| | | |
|--------|----------------|--------------|
| Issued | (14,035,000) | |
| Repaid | <u>475,000</u> | (13,560,000) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (187,787)

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 | (170,580) | |
| Compensated absences | 7,532 | |
| Other postemployment benefits | <u>286,242</u> | <u>123,194</u> |

Changes in net assets of governmental activities(page 19) \$ 1,932,025

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

| | School Nutrition |
|---|---------------------|
| ASSETS | |
| Current assets: | |
| Cash and pooled investments | \$ 108,276 |
| Accounts receivable | 2,437 |
| Due from other funds | 1,949 |
| Due from other governments | 3,351 |
| Inventories | 11,491 |
| Total current assets | 127,504 |
| Non-current assets: | |
| Capital assets: | |
| Machinery and equipment, net of accumulated depreciation | 422,477 |
| Total non-current assets | 422,477 |
| TOTAL ASSETS | 549,981 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 3,053 |
| Unearned revenue | 9,954 |
| Total current liabilities | 13,007 |
| Long-term liabilities: | |
| Net OPEB liability | 3,438 |
| Total long-term liabilities | 3,438 |
| TOTAL LIABILITIES | 16,445 |
| NET ASSETS | |
| Invested in capital assets | 422,477 |
| Unrestricted | 111,059 |
| TOTAL NET ASSETS | \$ 533,536 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

| | <u>School Nutrition</u> |
|-------------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for services | \$ 253,300 |
| Contributions | 175 |
| Miscellaneous | 5,328 |
| Total operating revenues | <u>258,803</u> |
| Operating expenses: | |
| Support services: | |
| Operation and maintenance of plant: | |
| Services | 2,858 |
| Supplies | 4,017 |
| | <u>6,875</u> |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 313,145 |
| Benefits | 132,089 |
| Services | 7,141 |
| Supplies | 480,840 |
| Depreciation | 71,353 |
| | <u>1,004,568</u> |
| Total operating expenses | <u>1,011,443</u> |
| Operating loss | <u>(752,640)</u> |
| Non-operating revenues: | |
| State sources | 6,900 |
| Federal sources | 620,420 |
| Interest income | 295 |
| Total non-operating revenues | <u>627,615</u> |
| Change in net assets | (125,025) |
| Net assets beginning of year | <u>658,561</u> |
| Net assets end of year | <u>\$ 533,536</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 252,982 |
| Cash received from miscellaneous operating activities | 5,503 |
| Cash payments to employees for services | (456,727) |
| Cash payments to suppliers for goods or services | (433,968) |
| Net cash used in operating activities | (632,210) |
| Cash flows from non-capital financing activities: | |
| Interfund loan to the General Fund | 651 |
| State grants received | 6,900 |
| Federal grants received | 564,032 |
| Net cash provided by non-capital financing activities | 571,583 |
| Cash flows from investing activities: | |
| Interest on investments | 295 |
| Cash flows from capital financing activities: | |
| Purchase of assets | (4,688) |
| Net decrease in cash and cash equivalents | (65,020) |
| Cash and cash equivalents at beginning of year | 173,296 |
| Cash and cash equivalents at end of year | \$ 108,276 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (752,640) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 53,733 |
| Depreciation | 71,353 |
| Decrease in inventories | 4,519 |
| Decrease in accounts receivables | 450 |
| Increase in accounts payable | 2,636 |
| Decrease in unearned revenue | (768) |
| Decrease in other postemployment benefits | (11,493) |
| Net cash used in operating activities | \$ (632,210) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$53,733.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

| | Private Purpose Trust |
|-----------------------------|--------------------------|
| | Scholarships |
| Assets | |
| Cash and pooled investments | \$ 133,117 |
| Liabilities | 0 |
| Net Assets | |
| Reserved for scholarships | \$ 133,117 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2011

| | Private Purpose Trust |
|------------------------------|--------------------------|
| | Scholarships |
| ADDITIONS: | |
| Local sources: | |
| Gifts and contributions | \$ 1,002 |
| Interest income | 4,279 |
| TOTAL ADDITIONS | 5,281 |
| DEDUCTIONS: | |
| Instruction: | |
| Regular: | |
| Scholarship awarded | 3,228 |
| Change in net assets | 2,053 |
| Net assets beginning of year | 131,064 |
| Net assets end of year | \$ 133,117 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011. 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$20,871,442 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, 2011 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|--|---------------|
| Debt Service | Capital Projects Statewide Sales, Services and Use Tax | \$ 705,877 |

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

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| School Nutrition | General | \$ 1,949 |

The General Fund is repaying the School Nutrition Fund for federal reimbursements deposited in the wrong fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|----------------|---------------------------|
| Business type activities: | | | | |
| Machinery and equipment | \$ 927,228 | 4,688 | 0 | 931,916 |
| Less accumulated depreciation | 438,086 | 71,353 | 0 | 509,439 |
| Business type activities capital assets, net | <u>\$ 489,142</u> | <u>(66,665)</u> | <u>0</u> | <u>422,477</u> |
| | | | | |
| | 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 | 0 | 879,901 | 0 | 879,901 |
| Total capital assets not being depreciated | <u>870,063</u> | <u>879,901</u> | <u>0</u> | <u>1,749,964</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 26,054,469 | 0 | 0 | 26,054,469 |
| Land improvements | 1,628,685 | 44,355 | 0 | 1,673,040 |
| Machinery and equipment | 5,193,913 | 148,658 | 593,877 | 4,748,694 |
| Total capital assets being depreciated | <u>32,877,067</u> | <u>193,013</u> | <u>593,877</u> | <u>32,476,203</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 8,846,684 | 494,377 | 0 | 9,341,061 |
| Land improvements | 841,105 | 68,336 | 0 | 909,441 |
| Machinery and equipment | 4,454,696 | 116,761 | 593,877 | 3,977,580 |
| Total accumulated depreciation | <u>14,142,485</u> | <u>679,474</u> | <u>593,877</u> | <u>14,228,082</u> |
| Total capital assets being depreciated, net | <u>18,734,582</u> | <u>(486,461)</u> | <u>0</u> | <u>18,248,121</u> |
| Governmental activities capital assets, net | <u>\$ 19,604,645</u> | <u>393,440</u> | <u>0</u> | <u>19,998,085</u> |

Depreciation expense was charged by the District as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 45,561 |
| Other | 23,577 |
| Support services: | |
| Administration | 1,880 |
| Operation and maintenance of plant | 8,298 |
| Transportation | 37,445 |
| | <u>116,761</u> |
| Unallocated depreciation | <u>562,713</u> |
| Total governmental activities depreciation expense | <u>\$ 679,474</u> |
| Business type activities: | |
| Food services | <u>\$ 71,353</u> |

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|------------|-----------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 4,900,000 | 0 | 475,000 | 4,425,000 | 490,000 |
| Revenue bonds | 0 | 14,035,000 | 0 | 14,035,000 | 0 |
| Early retirement | 1,208,340 | 568,568 | 397,988 | 1,378,920 | 568,568 |
| Compensated absences | 163,313 | 155,781 | 163,313 | 155,781 | 155,781 |
| Net OPEB liability | 337,065 | 0 | 286,242 | 50,823 | 0 |
| Total | \$ 6,608,718 | 14,759,349 | 1,322,543 | 20,045,524 | 1,214,349 |
| Business Type Activities: | | | | | |
| Net OPEB liability | \$ 14,931 | 0 | 11,493 | 3,438 | 0 |

General Obligation Bonds Payable

Details of the District's June 30, 2011 General Obligation bonds indebtedness is as follows:

| Year Ending June 30, | Interest Rate | Bond issue March 24, 2003 | | |
|----------------------------|------------------|---------------------------|----------|-----------|
| | | Principal | Interest | Total |
| 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 | 3.70-3.80 | 555,000 | 92,710 | 647,710 |
| 2017-2019 | 3.80-4.00 | 1,805,000 | 145,620 | 1,950,620 |
| Total | | \$ 4,425,000 | 798,150 | 5,223,150 |

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, Services and use tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Interest Rate | Bond issue March 1, 2011 | | |
|----------------------------|------------------|--------------------------|-----------|------------|
| | | Principal | Interest | Total |
| 2012 | 3.50 | % \$ 0 | 474,282 | 474,282 |
| 2013 | 3.50 | 0 | 569,139 | 569,139 |
| 2014 | 3.50 | 700,000 | 556,888 | 1,256,888 |
| 2015 | 3.50 | 660,000 | 533,089 | 1,193,089 |
| 2016 | 3.50 | 625,000 | 510,601 | 1,135,601 |
| 2017-2021 | 3.25-4.00 | 3,410,000 | 2,191,219 | 5,601,219 |
| 2022-2026 | 3.75-4.25 | 4,100,000 | 1,483,470 | 5,583,470 |
| 2027-2030 | 4.38-4.75 | 4,540,000 | 489,513 | 5,029,513 |
| Total | | \$ 14,035,000 | 6,808,201 | 20,843,201 |

The District has pledged future statewide sales and services tax revenues to repay \$14,035,000 of bonds issued in March 2011. The bonds were issued for the purpose of financing future energy projects in the District. The bonds are payable solely from the

proceeds of the statewide sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 72 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is 20,843,201. For the current year, \$0 in interest was paid on the bonds and total statewide sales and services tax revenues were \$1,572,824.

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

- a) \$1,269,139 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

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, 2011 totaled \$397,988.

(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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary for the years ended June 30, 2011. Plan members were required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary

for the year ended June 30, 2010. Plan members were required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$880,008, \$891,133, and \$847,017, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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 282 active and 64 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|-------------------------|
| Annual required contribution | \$ 111,092 |
| Interest on net OPEB obligation | 10,560 |
| Adjustment to annual required contribution | (17,697) |
| Annual OPEB cost (expense) | <u>103,955</u> |
| Contributions made | (401,690) |
| Increase in net OPEB obligation | <u>(297,735)</u> |
| Net OPEB obligation - beginning of year | <u>351,996</u> |
| Net OPEB obligation - end of year | <u><u>\$ 54,261</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2011.

For fiscal year 2011, the District contributed \$401,690 to the medical plan. Plan members receiving benefits contributed \$0, or 0% 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, 2011 are summarized as follows:

| Year Ended June 30, | Annual OPEB cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2009 | \$ 477,429 | 57.3 % | \$ 203,849 |
| 2010 | 474,021 | 68.8 | 351,996 |
| 2011 | 103,955 | 386.4 | 54,261 |

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.687 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.687 million. The covered payroll (annual payroll of active employees covered by the plan) was \$11.214 million, and the ratio of the UAAL to the covered payroll was 15.0%. As of June 30, 2011, 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, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4%. 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 \$518 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. 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 \$901,008 for the year ended June 30, 2011 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, 2011 are broken out by the following projects:

| Project | Amount |
|--------------------------------------|--------------------------|
| Homeschool assistance program | \$ 269,925 |
| Talented and gifted | 49,719 |
| Four-year-old preschool | 93,673 |
| Beginning teacher mentoring | 524 |
| Beginning administrator mentoring | 1,500 |
| Textbook aid for non-public students | 1,165 |
| Model core curriculum | 65,854 |
| Professional development | 158,336 |
| Basic Salary | 154,926 |
| Total | <u><u>\$ 795,622</u></u> |

(12) Construction Commitment

The District has entered into contracts totaling \$11,626,871 for Improvements on the High School and Elementary building. As of June 30, 2011, costs of \$879,901 had been incurred against the contracts. The balance of \$10,746,970 remaining at June 30, 2011 will be paid as work on the project progresses.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

| | <u>Capital Projects</u> | <u>Special Revenue, Physical Plant and Equipment Levy</u> |
|--|-----------------------------|---|
| Balances June 30, 2010 as previously reported | \$ 2,279,483 | \$ 117,431 |
| Change in fund type classification per implementation of GASB Statement No. 54 | 117,431 | (117,431) |
| Balance July 1, 2010 as restated | <u>\$ 2,396,914</u> | <u>\$ 0</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, 2011

| | Governmental | Proprietary | Total | Budgeted Amounts | | Final to Actual Variance |
|--|---------------|-------------|------------|------------------|-------------|--------------------------------|
| | Fund Types | Fund Type | | Original | Final | |
| | Actual | Actual | | | | |
| Revenues: | | | | | | |
| Local sources | \$ 8,605,230 | 259,098 | 8,864,328 | 9,077,740 | 9,077,740 | (213,412) |
| State sources | 12,786,294 | 6,900 | 12,793,194 | 14,272,224 | 14,272,224 | (1,479,030) |
| Federal sources | 3,283,591 | 620,420 | 3,904,011 | 3,230,000 | 3,230,000 | 674,011 |
| Total revenues | 24,675,115 | 886,418 | 25,561,533 | 26,579,964 | 26,579,964 | (1,018,431) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 14,864,220 | 0 | 14,864,220 | 16,000,000 | 16,000,000 | 1,135,780 |
| Support services | 6,188,594 | 6,875 | 6,195,469 | 7,920,200 | 7,920,200 | 1,724,731 |
| Non-instructional programs | 505 | 1,004,568 | 1,005,073 | 1,600,000 | 1,600,000 | 594,927 |
| Other expenditures | 2,498,493 | 0 | 2,498,493 | 4,079,398 | 4,079,398 | 1,580,905 |
| Total expenditures/expenses | 23,551,812 | 1,011,443 | 24,563,255 | 29,599,598 | 29,599,598 | 5,036,343 |
| Excess(deficiency) of revenues over(under) expenditures/expenses | 1,123,303 | (125,025) | 998,278 | (3,019,634) | (3,019,634) | 4,017,912 |
| Other financing sources, net | 14,039,875 | 0 | 14,039,875 | 20,000 | 20,000 | 14,059,875 |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses | 15,163,178 | (125,025) | 15,038,153 | (2,999,634) | (2,999,634) | 18,077,787 |
| Balance beginning of year | 6,242,882 | 658,561 | 6,901,443 | 5,232,819 | 5,232,819 | 1,668,624 |
| Balance end of year | \$ 21,406,060 | 533,536 | 21,939,596 | 2,233,185 | 2,233,185 | 19,746,411 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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.

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) | UAAL 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, 2008 | - | 4,104 | 4,104 | 0.0% | 12,644 | 32.5% |
| 2011 | July 1, 2010 | - | 1,687 | 1,687 | 0.0% | 11,214 | 15.0% |

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, 2011

| | Special Revenue: Student Activity | Debt Service | Total Other Nonmajor Governmental Funds |
|--|--|-----------------|---|
| Assets | | | |
| Cash and pooled investments | \$ 60,912 | 119,429 | 180,341 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 0 | 1,946 | 1,946 |
| Succeeding year | 0 | 396,100 | 396,100 |
| Total Assets | \$ 60,912 | 517,475 | 578,387 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 7,415 | 0 | 7,415 |
| Deferred revenue: | | | |
| Succeeding year property tax | 0 | 396,100 | 396,100 |
| Total liabilities | 7,415 | 396,100 | 403,515 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 0 | 121,375 | 121,375 |
| Student activities | 53,497 | 0 | 53,497 |
| Total fund balances | 53,497 | 121,375 | 174,872 |
| Total Liabilities and Fund Balances | \$ 60,912 | 517,475 | 578,387 |

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, 2011

| | Special Revenue: Student Activity | Debt Service | Total Other Nonmajor Governmental Funds |
|--|--|-----------------|---|
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 0 | 130,461 | 130,461 |
| Other | 274,266 | 234 | 274,500 |
| TOTAL REVENUES | 274,266 | 130,695 | 404,961 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Other | 271,228 | 0 | 271,228 |
| Support services: | | | |
| Administration | 0 | 1,450 | 1,450 |
| Long-term debt: | | | |
| Principal | 0 | 475,000 | 475,000 |
| Interest and fiscal charges | 0 | 182,355 | 182,355 |
| TOTAL EXPENDITURES | 271,228 | 658,805 | 930,033 |
| Excess(Deficiency) of revenues over(under) expenditures | 3,038 | (528,110) | (525,072) |
| Other financing sources: | | | |
| Transfers in | 0 | 705,877 | 705,877 |
| Remarketing fee on bonds | 0 | (177,384) | (177,384) |
| Total other financing sources | 0 | 528,493 | 528,493 |
| Change in fund balances | 3,038 | 383 | 3,421 |
| Fund balances beginning of year, as restated | 50,459 | 120,992 | 171,451 |
| Fund balances end of year | \$ 53,497 | 121,375 | 174,872 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

| | Capital Projects | | |
|--|---|--|-------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 16,188,953 | 130,611 | 16,319,564 |
| Receivables: | | | |
| Delinquent | 0 | 1,814 | 1,814 |
| Succeeding year | 0 | 124,066 | 124,066 |
| Due from other governments | 299,766 | 0 | 299,766 |
| Total assets | \$ 16,488,719 | 256,491 | 16,745,210 |
| Liabilities and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 129,497 | 0 | 129,497 |
| Deferred revenue | | | |
| Succeeding year property tax | 0 | 124,066 | 124,066 |
| Total liabilities | 129,497 | 124,066 | 253,563 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt Service | 1,269,155 | 0 | 1,269,155 |
| Construction | 12,212,536 | 0 | 12,212,536 |
| School infrastructure | 2,877,531 | 0 | 2,877,531 |
| Physical plant and equipment | 0 | 132,425 | 132,425 |
| Total fund balances | 16,359,222 | 132,425 | 16,491,647 |
| Total liabilities and fund balances | \$ 16,488,719 | 256,491 | 16,745,210 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

| | Capital Projects | | |
|--|---|--|------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 1,572,824 | 121,651 | 1,694,475 |
| Other | 25,621 | 63 | 25,684 |
| TOTAL REVENUES | 1,598,445 | 121,714 | 1,720,159 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 7,208 | 0 | 7,208 |
| Support services: | | | |
| Adminstration | 89,925 | 0 | 89,925 |
| Operation and maintenance of plant | 0 | 12,302 | 12,302 |
| Transportation | 0 | 82,368 | 82,368 |
| Other expenditures: | | | |
| Facilities acquisitions | 928,080 | 12,050 | 940,130 |
| TOTAL EXPENDITURES | 1,025,213 | 106,720 | 1,131,933 |
| Excess of revenues over expenditures | 573,232 | 14,994 | 588,226 |
| OTHER FINANCING SOURCES(USES): | | | |
| Transfers out | (705,877) | 0 | (705,877) |
| Revenue bond issuance | 14,035,000 | 0 | 14,035,000 |
| Premium on bond issuance | 177,384 | 0 | 177,384 |
| TOTAL OTHER FINANCING SOURCES(USES) | 13,506,507 | 0 | 13,506,507 |
| Excess of revenues over expenditures and other financing sources(uses) | 14,079,739 | 14,994 | 14,094,733 |
| Fund balances beginning of year, as restated | 2,279,483 | 117,431 | 2,396,914 |
| Fund balances end of year | \$ 16,359,222 | 132,425 | 16,491,647 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------------|----------|-------------------|---------------------------|
| HS interest earned | \$ 0 | 52 | 0 | 52 |
| HS drama | 1,039 | 3,149 | 1,092 | 3,096 |
| HS speech | 783 | 4,463 | 4,610 | 636 |
| HS show choir | 671 | 8,993 | 9,664 | 0 |
| HS vocal music | 673 | 1,809 | 2,482 | 0 |
| HS instrument music | 148 | 3,337 | 3,485 | 0 |
| HS winterguard | 1,055 | 689 | 1,244 | 500 |
| HS tournaments | (320) | 8,834 | 8,002 | 512 |
| HS booster resale | 0 | 5,119 | 5,119 | 0 |
| HS cross country | 36 | 981 | 706 | 311 |
| HS boys basketball | 998 | 9,396 | 9,711 | 683 |
| HS football | 2,549 | 17,508 | 16,619 | 3,438 |
| HS soccer | 506 | 2,061 | 1,960 | 607 |
| HS baseball | 291 | 5,107 | 5,166 | 232 |
| HS boys track | 0 | 3,290 | 3,290 | 0 |
| HS boys tennis | 0 | 611 | 601 | 10 |
| HS boys golf | 252 | 1,066 | 1,205 | 113 |
| HS wrestling | 1,026 | 6,680 | 7,706 | 0 |
| HS girls basketball | 1,036 | 6,680 | 7,677 | 39 |
| HS volleyball | 0 | 3,421 | 2,948 | 473 |
| HS girls soccer | 395 | 1,024 | 1,419 | 0 |
| HS softball | 0 | 9,266 | 8,957 | 309 |
| HS girls track | 0 | 6,663 | 6,663 | 0 |
| HS girls tennis | 0 | 342 | 342 | 0 |
| HS girls golf | 321 | 720 | 977 | 64 |
| HS girls swimming | 169 | 1,486 | 1,655 | 0 |
| HS yearbook | 0 | 240 | 0 | 240 |
| HS general | 685 | 1,307 | 1,826 | 166 |
| HS student newspaper | 290 | 809 | 0 | 1,099 |
| HS fallon student | 2,514 | 0 | 0 | 2,514 |
| HS science | 853 | 0 | 0 | 853 |
| HS student council | 396 | 3,128 | 2,034 | 1,490 |
| HS national honor society | 889 | 990 | 1,617 | 262 |
| HS french club | 842 | 0 | 842 | 0 |
| HS spanish club | 1,098 | 539 | 60 | 1,577 |
| HS Math Club | 0 | 270 | 0 | 270 |
| HS class of 2010 | 221 | 0 | 221 | 0 |
| HS class of 2011 | 2,544 | 546 | 1,604 | 1,486 |
| HS class of 2012 | 1,089 | 7,934 | 5,360 | 3,663 |

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------------|----------|-------------------|---------------------------|
| HS class of 2013 | 47 | 1,047 | 69 | 1,025 |
| HS class of 2014 | 15 | 1,079 | 0 | 1,094 |
| HS special education club | 188 | 107 | 295 | 0 |
| HS friends of rachel club | 554 | 539 | 0 | 1,093 |
| HS athletics | 388 | 9,009 | 9,063 | 334 |
| HS special athletics | 147 | 0 | 0 | 147 |
| HS weight room | 11 | 0 | 11 | 0 |
| HS student activity | 97 | 19,131 | 19,228 | 0 |
| HS concessions | 1,010 | 57,898 | 56,522 | 2,386 |
| HS little feather | 0 | 18,825 | 16,579 | 2,246 |
| HS cheerleaders | 0 | 3,630 | 1,555 | 2,075 |
| HS special needs friends | 159 | 0 | 107 | 52 |
| HS bowling | 380 | 743 | 334 | 789 |
| HS learning center | 214 | 176 | 149 | 241 |
| MS vocal music | 3,189 | 3,714 | 5,209 | 1,694 |
| MS instrument music | 2,002 | 781 | 2,079 | 704 |
| MS boys basketball | 0 | 1,604 | 1,604 | 0 |
| MS football | 0 | 2,264 | 2,264 | 0 |
| MS boys track | 0 | 980 | 980 | 0 |
| MS wrestling | 0 | 1,167 | 1,167 | 0 |
| MS girls basketball | 0 | 1,190 | 1,190 | 0 |
| MS volleyball | 2,431 | 977 | 3,408 | 0 |
| MS girls track | 0 | 1,134 | 1,134 | 0 |
| MS yearbook | 4,593 | 209 | 4,593 | 209 |
| MS language arts club | 1,167 | 2,436 | 1,826 | 1,777 |
| MS science club | 2,734 | 1,107 | 1,142 | 2,699 |
| MS math contests | 2,585 | 770 | 534 | 2,821 |
| MS SPED club | 175 | 373 | 350 | 198 |
| MS student athletes | 2,312 | 6,889 | 5,455 | 3,746 |
| MS student activities | 1,129 | 7,041 | 7,035 | 1,135 |
| MS learn connects | 1,883 | 804 | 350 | 2,337 |
| Total | \$ 50,459 | 274,266 | 271,228 | 53,497 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2011

| | | Private Purpose Trust - Scholarship Fund | | | | | | | | | | | | |
|-----------------------------|----|--|---------------|--------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|----------------|
| | | Black Sims | Kilborne | William | Elizabeth | Maud | WM J | Edna | Wilber | Edna | Edna | Edna | Ming | Total |
| | | Award | Prize | Aldrich | Wilson Leake | Marshall | Sigmund | Sears | Erickson | Meirotto | Meirotto | Meirotto | Chung | |
| | | | | Trust | Award | Hassall | Memorial | Trust | | | | | | |
| ASSETS | | | | | | | | | | | | | | |
| Cash and pooled investments | \$ | 595 | 10,219 | 4,048 | 13,593 | 11,234 | 8,313 | 7,708 | 7,013 | 10,717 | 10,882 | 25,933 | 22,862 | 133,117 |
| TOTAL ASSETS | | 595 | 10,219 | 4,048 | 13,593 | 11,234 | 8,313 | 7,708 | 7,013 | 10,717 | 10,882 | 25,933 | 22,862 | 133,117 |
| LIABILITIES | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET ASSETS | | | | | | | | | | | | | | |
| Reserved for scholarships | \$ | 595 | 10,219 | 4,048 | 13,593 | 11,234 | 8,313 | 7,708 | 7,013 | 10,717 | 10,882 | 25,933 | 22,862 | 133,117 |

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, 2011

| 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 | Webb Scholarship | Total |
| ADDITIONS: | | | | | | | | | | | | | | |
| Local sources: | | | | | | | | | | | | | | |
| Gifts and contributions | \$ 0 | 0 | 0 | 0 | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 802 | 1,002 |
| Interest income | 7 | 270 | 51 | 185 | 488 | 333 | 310 | 208 | 325 | 372 | 933 | 797 | 0 | 4,279 |
| TOTAL ADDITIONS | 7 | 270 | 51 | 185 | 688 | 333 | 310 | 208 | 325 | 372 | 933 | 797 | 802 | 5,281 |
| DEDUCTIONS: | | | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | | | |
| Regular: | | | | | | | | | | | | | | |
| Scholarships awarded | 0 | 115 | 25 | 304 | 419 | 313 | 300 | 200 | 0 | 0 | 0 | 750 | 802 | 3,228 |
| Change in net assets | 7 | 155 | 26 | (119) | 269 | 20 | 10 | 8 | 325 | 372 | 933 | 47 | 0 | 2,053 |
| Net assets beginning 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 | 0 | 131,064 |
| Net assets end of year | \$ 595 | 10,219 | 4,048 | 13,593 | 11,234 | 8,313 | 7,708 | 7,013 | 10,717 | 10,882 | 25,933 | 22,862 | 0 | 133,117 |

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, | | | | | | | | | |
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 7,806,793 | 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 |
| Tuition | 213,446 | 245,289 | 259,809 | 245,438 | 198,968 | 145,239 | 104,514 | 132,977 | 79,151 | 80,341 |
| Other | 584,991 | 478,922 | 676,673 | 969,653 | 1,054,607 | 812,557 | 665,075 | 738,371 | 965,510 | 1,435,570 |
| Intermediate sources | 0 | 0 | 0 | 178,312 | 210,708 | 237,966 | 248,905 | 17,335 | 0 | 0 |
| State sources | 12,786,294 | 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 |
| Federal sources | 3,283,591 | 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 |
| Total | \$ 24,675,115 | 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 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 8,579,351 | 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 |
| Special | 3,515,554 | 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 |
| Other | 2,769,315 | 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 |
| Support services: | | | | | | | | | | |
| Student | 941,225 | 1,202,507 | 764,108 | 775,847 | 657,577 | 743,239 | 697,915 | 715,383 | 766,190 | 732,079 |
| Instructional staff | 607,845 | 563,412 | 549,095 | 496,602 | 517,981 | 522,756 | 420,808 | 421,299 | 399,603 | 538,396 |
| Administration | 2,315,953 | 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 |
| Operation and maintenance of plant | 1,752,493 | 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 |
| Transportation | 571,078 | 600,320 | 580,801 | 528,970 | 586,770 | 598,932 | 419,753 | 440,308 | 525,785 | 490,994 |
| Other support | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 767 | 0 | 0 |
| Non-instructional | 505 | 185,731 | 254,758 | 445,944 | 541,631 | 695,083 | 916,281 | 828,507 | 799,318 | 757,623 |
| Other expenditures: | | | | | | | | | | |
| Facilities acquisitions | 940,130 | 782,474 | 1,176,936 | 114,951 | 498,588 | 293,180 | 2,028,641 | 636,168 | 4,007,977 | 8,503,240 |
| Long Term Debt: | | | | | | | | | | |
| Principal | 475,000 | 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 |
| Interest | 182,355 | 198,084 | 223,437 | 269,379 | 430,057 | 441,233 | 487,442 | 531,523 | 989,078 | 768,703 |
| AEA flow-through | 901,008 | 902,280 | 831,724 | 787,957 | 760,033 | 722,398 | 660,304 | 645,987 | 667,716 | 672,452 |
| Total | \$ 23,551,812 | 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 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|--|----------------|-----------------|-------------------------|
| DIRECT: | | | |
| FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING COMMUNITIES) | 84.215 | FY 11 | \$ 302,866 |
| FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM) | 84.215 | FY 11 | 250,939 |
| | | | <u>553,805</u> |
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 11 | 83,762 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 11 | 512,860 * |
| SUMMER FOOD SERVICE PROGRAM FOR CHILDREN | 10.559 | FY 11 | 9,107 |
| | | | <u>605,729</u> |
| FRESH FRUIT AND VEGETABLE PROGRAM | 10.582 | FY 11 | <u>14,691</u> |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I PART A CLUSTER: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 3312-G | 609,331 |
| ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 10 | 250,583 |
| | | | <u>859,914</u> |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 11 | <u>31,483</u> |
| GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS | 84.334 | FY 11 | <u>8,016</u> |
| TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM | 84.367 | FY 11 | <u>155,690</u> |
| PARENTAL INFORMATION AND RESOURCE CENTERS | 84.310 | FY 10 | 1,274 |
| PARENTAL INFORMATION AND RESOURCE CENTERS | 84.310 | FY 11 | 182 |
| | | | <u>1,456</u> |
| RURAL EDUCATION ACHIEVEMENT PROGRAM | 84.358 | FY 11 | <u>66,937</u> |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA) | 84.369 | FY 10 | <u>743</u> |

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| INDIRECT: (CONTINUED) | | | |
| STATE FISCAL STABILIZATION CLUSTER: | | | |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 10 | 530,752 |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 11 | 116,124 |
| ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT | 84.397 | FY 11 | 103,577 |
| | | | <u>750,453</u> |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION CLUSTER (IDEA): | | | |
| SPECIAL EDUCATION - GRANTS TO STATES | 84.027 | FY 11 | 120,047 |
| ARRA - SPECIAL EDUCATION - GRANTS TO STATES(PART B) | 84.391 | FY 10 | 158,355 |
| | | | <u>278,402</u> |
| TOTAL | | | <u>\$ 3,327,319</u> |

* - Includes \$53,733 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.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2012. 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-11 and II-B-11 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, 2011 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.

January 31, 2012

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of Keokuk Community School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 was not designed to identify all deficiencies in internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2012

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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:

Clusters

Fund For The Improvement of Education Cluster:

- CFDA Number 84.215 - Smaller Learning Communities
- CFDA Number 84.215 - Carol M. White Physical Education Program

Nutrition Cluster:

- CFDA Number 10.553 - School Breakfast Program
- CFDA Number 10.555 - National School Lunch Program
- CFDA Number 10.555 - Summer Food Service Program for Children

Title I Cluster:

- CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act

State Fiscal Stabilization Fund Cluster:

- CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
- CFDA Number 84.397 - ARRA - State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Keokuk Community School District did qualify as a low-risk auditee.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 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 in the Student Activity Fund.

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-11 Timely Deposits - We noted during our audit two receipts in the Student Activity Fund that were not deposited timely.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - The District will review procedures with Student Activity staff and ensure that deposits are made in a timely manner in the future.

Conclusion - Response accepted.

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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.
- IV-B-11 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-11 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-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:
- IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported as resident students was overstated by 0.3 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.
- Conclusion - Response accepted.
- IV-H-11 Supplementary Weighting - No variances in basic enrollment data certified to the Iowa Department of Education were noted
- IV-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services, and Use - 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|--------------|-----------------------------|
| Beginning balance | | \$ 2,279,483 |
| Revenues: | | |
| Sales tax revenues | \$ 1,572,824 | |
| Other local revenues | 25,621 | |
| Sale of long-term debt | 14,035,000 | |
| Other | 177,384 | 15,810,829 |
| | | <u>18,090,312</u> |
| Expenditures/transfers out: | | |
| School infrastructure construction | \$ 242,947 | |
| Equipment | 33,710 | |
| Other | 748,556 | |
| Transfers to other funds: | | |
| Debt service fund | 705,877 | 1,731,090 |
| | | <u>1,731,090</u> |
| Ending balance | | <u><u>\$ 16,359,222</u></u> |

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Rate of Levy Reduction Per \$1,000 of Taxable Valuation | Property Tax Dollars Reduced |
|-------------------|---|---------------------------------------|
| Debt service levy | <u>\$ 1.43310</u> | <u>\$ 527,913</u> |

IV-M-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - In the future all contracts will be signed by the Board President.

Conclusion - Response accepted.