

KEOTA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Capital Project Accounts:		
Combining Balance Sheet	3	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	49
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 <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-54

Keota Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Jared Lyle	President	2015
Lindsay Greiner	Vice President	2013
Ryan Clarahan	Board Member	2013
Derek Grainer	(Resigned November 26, 2012) Board Member	2013
Scott Flynn	(Appointed January 2, 2013) Board Member	2015
Lisa White	Board Member	2015
School Officials		
Mark Schneider	Superintendent	2013
Cherie Westendorf	District Secretary	2013
Cindy Steege	Business Manager	2013
Joe Holland	Attorney	2013

Keota 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 Keota Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District, Keota, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keota Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014 on our consideration of Keota Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 in considering Keota Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Keota Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,933,981 in fiscal 2012 to \$3,640,745 in fiscal 2013, while General Fund expenditures increased from \$3,315,934 in fiscal 2012 to \$3,727,681 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,092,498 in fiscal 2012 to \$1,005,562 in fiscal 2013, a 7.96% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local and federal sources in fiscal 2013. The increase in expenditures was due primarily to increased spending in the instructional functional area when compared to the prior year.
- The Keota community raised \$38,000 to help support the district. These funds were deposited in the General Fund.

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 Position and a Statement of Activities. These provide information about the activities of Keota Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

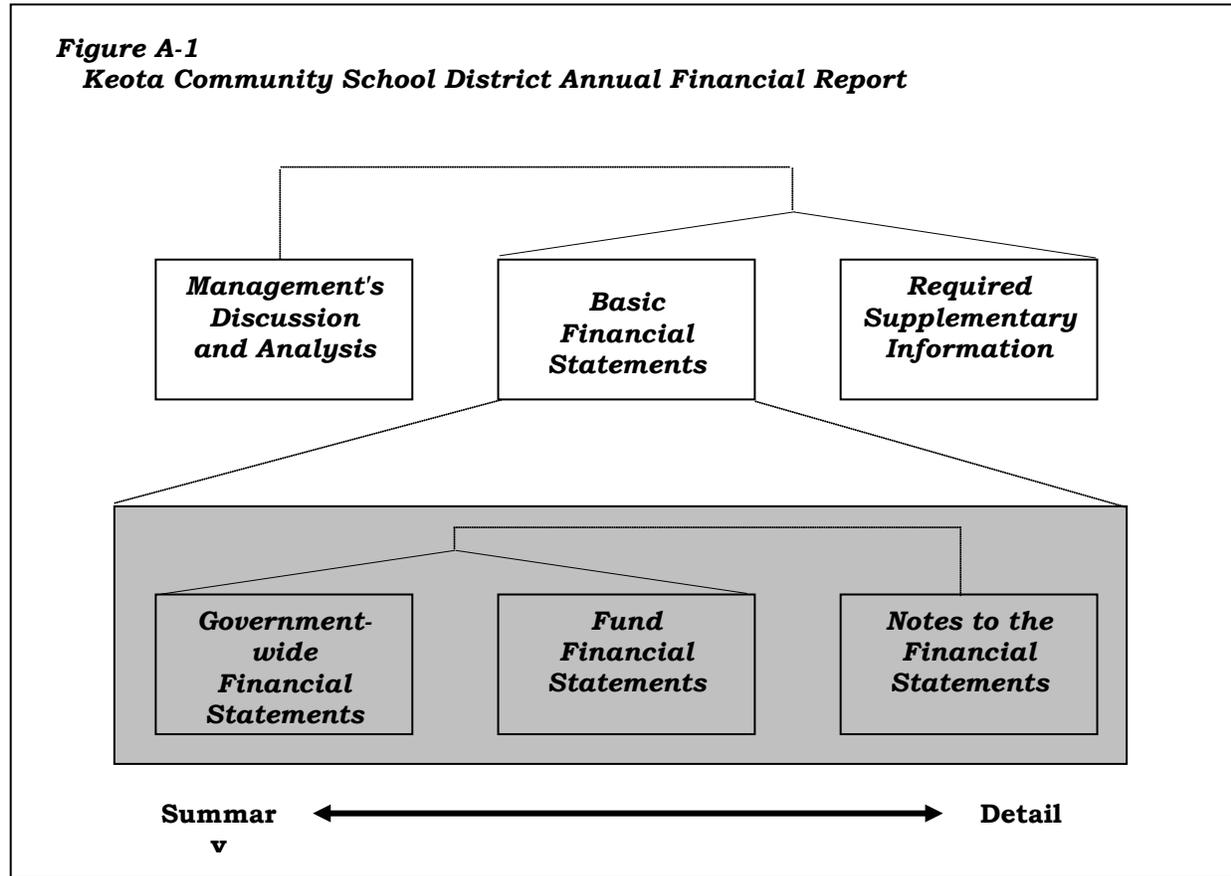


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 position and how they have changed. Net position – the difference between the District’s assets and liabilities – is one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position is 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 two kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, 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's Enterprise Fund is the School Nutrition Fund.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,514,129	4,341,677	8,752	14,372	4,522,881	4,356,049	3.83%
Capital assets	2,867,623	2,959,013	26,494	30,145	2,894,117	2,989,158	-3.18%
Total assets	<u>7,381,752</u>	<u>7,300,690</u>	<u>35,246</u>	<u>44,517</u>	<u>7,416,998</u>	<u>7,345,207</u>	<u>0.98%</u>
Long-term obligations	1,307,358	1,575,958	-	570	1,307,358	1,576,528	-17.07%
Other liabilities	2,441,448	2,452,235	14,307	13,281	2,455,755	2,465,516	-0.40%
Total liabilities	<u>3,748,806</u>	<u>4,028,193</u>	<u>14,307</u>	<u>13,851</u>	<u>3,763,113</u>	<u>4,042,044</u>	<u>-6.90%</u>
Net position:							
Invested in capital assets, net of related debt	1,560,265	1,389,296	26,494	30,145	1,586,759	1,419,441	11.79%
Restricted	956,212	723,270	-	-	956,212	723,270	32.21%
Unrestricted	1,116,469	1,159,931	(5,555)	521	1,110,914	1,160,452	-4.27%
Total net position	<u>\$ 3,632,946</u>	<u>3,272,497</u>	<u>20,939</u>	<u>30,666</u>	<u>3,653,885</u>	<u>3,303,163</u>	<u>10.62%</u>

The District's combined net position increased by 10.62%, or \$350,722 compared to the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$232,942, or 32.21% over the prior year. The majority of the increase in restricted net position was due to an increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$49,538, or 4.27%. The majority of the increase in unrestricted net position was due to the District's decrease in the General Fund balance during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4						
	Changes of Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
2013	2012	2013	2012	2013	2012	2012-13	
Revenues:							
Program revenues:							
Charges for services	\$ 296,245	307,310	84,983	90,787	381,228	398,097	-4.24%
Operating grants, contributions and restricted interest	354,989	710,743	71,778	66,353	426,767	777,096	-45.08%
Capital grants, contributions and restricted interest	4,800	-	-	10,709	4,800	10,709	-55.18%
General revenues:							
Property tax	2,041,803	2,141,109	-	-	2,041,803	2,141,109	-4.64%
Income surtax	163,223	170,685	-	-	163,223	170,685	-4.37%
Statewide sales and services tax	274,259	246,632	-	-	274,259	246,632	11.20%
Unrestricted state grants	1,391,075	1,092,485	-	-	1,391,075	1,092,485	27.33%
Nonspecific program federal funding	-	70,937	-	-	-	70,937	-100.00%
Unrestricted investment earnings	12,576	16,243	132	157	12,708	16,400	-22.51%
Other	10,854	23,888	1,412	679	12,266	24,567	-50.07%
Total revenues	<u>4,549,824</u>	<u>4,780,032</u>	<u>158,305</u>	<u>168,685</u>	<u>4,708,129</u>	<u>4,948,717</u>	<u>-4.86%</u>
Program expenses:							
Governmental activities:							
Instructional	2,813,240	2,455,685	-	-	2,813,240	2,455,685	14.56%
Support services	1,104,775	1,125,018	270	1,365	1,105,045	1,126,383	-1.89%
Non-instructional programs	3,000	-	167,762	161,261	170,762	161,261	5.89%
Other expenses	268,360	273,986	-	-	268,360	273,986	-2.05%
Total expenses	<u>4,189,375</u>	<u>3,854,689</u>	<u>168,032</u>	<u>162,626</u>	<u>4,357,407</u>	<u>4,017,315</u>	<u>8.47%</u>
Change in net position	360,449	925,343	(9,727)	6,059	350,722	931,402	-62.34%
Net position beginning of year	<u>3,272,497</u>	<u>2,347,154</u>	<u>30,666</u>	<u>24,607</u>	<u>3,303,163</u>	<u>2,371,761</u>	<u>39.27%</u>
Net position end of year	<u>\$ 3,632,946</u>	<u>3,272,497</u>	<u>20,939</u>	<u>30,666</u>	<u>3,653,885</u>	<u>3,303,163</u>	<u>10.62%</u>

In fiscal 2013, property tax and unrestricted state grants accounted for 75.45% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest accounted for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$4.71 million of which approximately \$4.55 million was for governmental activities and approximately \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 4.86% in revenues and an 8.47% increase in expenses. The increase in expenses was primarily related to increased spending in the instructional functional area during the year.

Governmental Activities

Revenues for governmental activities were \$4,549,824 and expenses were \$4,189,375 for the year ended June 30, 2013.

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 for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,813,240	2,455,685	14.56%	2,282,636	1,556,187	46.68%
Support services	1,104,775	1,125,018	-1.80%	1,099,975	1,125,018	-2.23%
Non-instructional programs	3,000	-	100.00%	3,000	-	100.00%
Other expenses	268,360	273,986	-2.05%	147,730	155,431	-4.95%
Totals	<u>\$ 4,189,375</u>	<u>3,854,689</u>	<u>8.68%</u>	<u>3,533,341</u>	<u>2,836,636</u>	<u>24.56%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$296,245.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$359,789.
- The net cost of governmental activities was financed with \$2,041,083 in property tax, \$163,223 in income surtax, \$274,259 in statewide sales, services and use tax, \$1,391,075 in unrestricted state grants, \$12,576 in interest income and \$10,854 in other revenues.

Business type Activities

Revenues of the District's business type activities were \$158,305 representing a 6.15% decrease from the prior year, while expenses totaled \$168,032, a 3.32% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,925,905, compared to last year's ending fund balances of \$1,738,535. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in fund balance for the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,092,498 in fiscal 2012 to \$1,005,562 in fiscal 2013. The decrease was primarily due to an increase in instruction expenditures as compared to the prior year.

- The Capital Projects Fund balance increased from \$541,869 in fiscal 2012 to \$732,744 in fiscal 2013. The increase in the Capital Projects accounts balance was due to the increased amount of local tax received as well as the reduction in support services expenditures during the year.
- The Debt Service fund balance increased from \$7,893 in fiscal 2012 to \$11,196 in fiscal 2013. The primary reason for this increase in fund balance is the decrease in interest paid on the District's long-term debt as compared to the prior year.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$30,666 at June 30, 2012 to \$20,939 at June 30, 2013, representing a decrease of 31.72% due to decreases in local source revenue.

BUDGETARY HIGHLIGHTS

The District's revenues were \$38,677 less than budgeted revenues, a variance of 0.81%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$2,894,117, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.18% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$144,170.

The original cost of the District's capital assets was \$6,029,570. Governmental funds account for \$5,958,015 with the remainder of \$71,555 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$120,101 reported at June 30, 2013, compared to \$168,868 at June 30, 2012. This decrease resulted mainly from depreciation expense being greater than capital purchases during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-13
Land	\$ 12,310	12,310	0	0	12,310	12,310	0.00%
Buildings	2,761,706	2,815,980	0	0	2,761,706	2,815,980	-1.93%
Machinery and equipment	93,607	130,723	26,494	30,145	120,101	160,868	-25.34%
Total	\$ 2,867,623	2,959,013	26,494	30,145	2,894,117	2,989,158	-3.18%

Long-Term Debt

At June 30, 2013, the District had \$1,307,358 in general obligation and capital loan note debt outstanding. This represents a decrease of 17.07% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$1,275,000 at June 30, 2013.

The District had an outstanding capital loan note payable of \$32,358 at June 30, 2013. These are payable from the Capital Projects: Physical Plant & Equipment Levy Fund.

Figure A-7							
Outstanding Long-Term Obligations							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,275,000	1,505,000	-	-	1,275,000	1,505,000	-15.28%
Capital loan note	32,358	64,717	-	-	32,358	64,717	-50.00%
Net OPEB liability	-	6,241	-	570	-	6,811	-100.00%
Totals	\$ 1,307,358	1,575,958	-	570	1,307,358	1,576,528	-17.07%

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's open enrollment out continues to increase each year.
- Shared positions with Mid-Prairie including Superintendent, Human Resource Coordinator, Teacher-Librarian, and Technology Director allow for cost savings to the District.
- Allowable growth is not keeping up with the increased cost of living.

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 Cherie Westendorf, District Board Secretary, Keota Community School District, P.O. Box 88, Keota, Iowa, 52248.

Keota Community School District

BASIC FINANCIAL STATEMENTS

KEOTA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,332,957	6,979	2,339,936
Receivables:			
Property tax:			
Delinquent	20,233	-	20,233
Succeeding year	1,832,763	-	1,832,763
Income surtax	154,947	-	154,947
Due from other governments	172,996	-	172,996
Inventories	-	1,751	1,751
Capital assets, net of accumulated depreciation	2,867,623	26,494	2,894,117
Net OPEB asset	233	22	255
TOTAL ASSETS	7,381,752	35,246	7,416,998
LIABILITIES			
Accounts payable	138,719	-	138,719
Salaries and benefits payable	461,562	12,024	473,586
Interest payable	8,404	-	8,404
Deferred revenue:			
Succeeding year property tax	1,832,763	-	1,832,763
Unearned revenue	-	2,283	2,283
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Capital loan note payable	32,358	-	32,358
Portion due after one year:			
General obligation bonds payable	1,035,000	-	1,035,000
TOTAL LIABILITIES	3,748,806	14,307	3,763,113
NET POSITION			
Invested in capital assets, net of related debt	1,560,265	26,494	1,586,759
Restricted for:			
Categorical funding	44,273	-	44,273
Debt service	2,792	-	2,792
Management levy	120,196	-	120,196
Student activities	56,207	-	56,207
School infrastructure	712,172	-	712,172
Physical plant and equipment levy	20,572	-	20,572
Unrestricted	1,116,469	(5,555)	1,110,914
TOTAL NET POSITION	\$ 3,632,946	20,939	3,653,885

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,746,601	108,673	130,320	-	(1,507,608)	-	(1,507,608)
Special	553,947	-	16,323	-	(537,624)	-	(537,624)
Other	512,692	187,572	87,716	-	(237,404)	-	(237,404)
	<u>2,813,240</u>	<u>296,245</u>	<u>234,359</u>	<u>-</u>	<u>(2,282,636)</u>	<u>-</u>	<u>(2,282,636)</u>
Support services:							
Student	42,070	-	-	-	(42,070)	-	(42,070)
Instructional staff	190,848	-	-	-	(190,848)	-	(190,848)
Administration	405,172	-	-	-	(405,172)	-	(405,172)
Operation and maintenance of plant	284,438	-	-	-	(284,438)	-	(284,438)
Transportation	182,247	-	-	4,800	(177,447)	-	(177,447)
	<u>1,104,775</u>	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>(1,099,975)</u>	<u>-</u>	<u>(1,099,975)</u>
Non-instructional programs:							
Community service operations	3,000	-	-	-	(3,000)	-	(3,000)
Long-term debt interest	52,916	-	-	-	(52,916)	-	(52,916)
Other expenses:							
AEA flowthrough	120,630	-	120,630	-	-	-	-
Depreciation (unallocated) *	94,814	-	-	-	(94,814)	-	(94,814)
	<u>215,444</u>	<u>-</u>	<u>120,630</u>	<u>-</u>	<u>(94,814)</u>	<u>-</u>	<u>(94,814)</u>
Total governmental activities	<u>4,189,375</u>	<u>296,245</u>	<u>354,989</u>	<u>4,800</u>	<u>(3,533,341)</u>	<u>-</u>	<u>(3,533,341)</u>
Business Type activities:							
Support service:							
Operation and maintenance of plant	270	-	-	-	-	(270)	(270)
Non-instructional programs:							
Nutrition services	167,762	84,983	71,778	-	-	(11,001)	(11,001)
Total business type activities	<u>168,032</u>	<u>84,983</u>	<u>71,778</u>	<u>-</u>	<u>-</u>	<u>(11,271)</u>	<u>(11,271)</u>
Total	<u>\$ 4,357,407</u>	<u>381,228</u>	<u>426,767</u>	<u>4,800</u>	<u>(3,533,341)</u>	<u>(11,271)</u>	<u>(3,544,612)</u>
General Revenues:							
Local tax for:							
General purposes					\$ 1,704,884	-	1,704,884
Debt service					286,080	-	286,080
Capital outlay					50,839	-	50,839
Income surtax					163,223	-	163,223
Statewide sales and services tax					274,259	-	274,259
Unrestricted state grants					1,391,075	-	1,391,075
Unrestricted investment earnings					12,576	132	12,708
Other general revenues					10,854	1,412	12,266
Total general revenues					<u>3,893,790</u>	<u>1,544</u>	<u>3,895,334</u>
Change in net position					360,449	(9,727)	350,722
Net position beginning of year					<u>3,272,497</u>	<u>30,666</u>	<u>3,303,163</u>
Net position end of year					<u>\$ 3,632,946</u>	<u>20,939</u>	<u>3,653,885</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,536,120	613,288	8,361	175,188	2,332,957
Receivables:					
Property tax:					
Delinquent	15,679	504	2,835	1,215	20,233
Succeeding year	1,414,759	51,257	286,747	80,000	1,832,763
Income surtax	154,947	-	-	-	154,947
Due from other governments	44,500	128,496	-	-	172,996
TOTAL ASSETS	\$ 3,166,005	793,545	297,943	256,403	4,513,896
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 129,175	9,544	-	-	138,719
Salaries and benefits payable	461,562	-	-	-	461,562
Deferred revenue:					
Succeeding year property tax	1,414,759	51,257	286,747	80,000	1,832,763
Income surtax	154,947	-	-	-	154,947
Total liabilities	2,160,443	60,801	286,747	80,000	2,587,991
Fund balances:					
Restricted for:					
Categorical funding	44,273	-	-	-	44,273
Debt service	-	-	11,196	-	11,196
Management levy purpose	-	-	-	120,196	120,196
Student activities	-	-	-	56,207	56,207
School infrastructure	-	712,172	-	-	712,172
Physical plant and equipment	-	20,572	-	-	20,572
Unassigned	961,289	-	-	-	961,289
Total fund balances	1,005,562	732,744	11,196	176,403	1,925,905
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,166,005	793,545	297,943	256,403	4,513,896

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20) \$ 1,925,905

***Amounts reported for governmental activities in the
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,867,623

Accounts receivable income surtax, are not yet available to finance expenditures of the current period. 154,947

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (8,404)

Other postemployment benefits are not yet available to finance expenditures of the current fiscal period. 233

Long-term liabilities, including general obligation bonds and capital loan note payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,307,358)

Net position of governmental activities (page 18) \$ 3,632,946

KEOTA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,751,940	325,098	286,080	122,587	2,485,705
Tuition	95,368	-	-	-	95,368
Other	139,895	5,998	-	175,736	321,629
State sources	1,551,797	-	-	-	1,551,797
Federal sources	101,745	-	-	-	101,745
Total revenues	<u>3,640,745</u>	<u>331,096</u>	<u>286,080</u>	<u>298,323</u>	<u>4,556,244</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,728,649	-	-	-	1,728,649
Special	546,634	-	-	-	546,634
Other	336,954	-	-	168,658	505,612
	<u>2,612,237</u>	<u>-</u>	<u>-</u>	<u>168,658</u>	<u>2,780,895</u>
Support services:					
Student	41,512	-	-	-	41,512
Instructional staff	188,267	-	-	-	188,267
Administration	374,866	-	400	25,529	400,795
Operation and maintenance of plant	253,375	4,463	-	17,000	274,838
Transportation	133,794	617	-	7,008	141,419
	<u>991,814</u>	<u>5,080</u>	<u>400</u>	<u>49,537</u>	<u>1,046,831</u>
Non-instructional programs:					
Community service operations	3,000	-	-	-	3,000
Capital outlay	-	100,187	-	-	100,187
Long-term debt:					
Principal	-	-	262,359	-	262,359
Interest and fiscal charges	-	-	54,972	-	54,972
	<u>-</u>	<u>-</u>	<u>317,331</u>	<u>-</u>	<u>317,331</u>
Other expenditures:					
AEA flowthrough	120,630	-	-	-	120,630
Total expenditures	<u>3,727,681</u>	<u>105,267</u>	<u>317,731</u>	<u>218,195</u>	<u>4,368,874</u>
Excess(Deficiency) of revenues over(under) expenditures	(86,936)	225,829	(31,651)	80,128	187,370
Other financing sources(uses):					
Transfer in	-	-	34,954	-	34,954
Transfer out	-	(34,954)	-	-	(34,954)
Total other financing sources(uses)	<u>-</u>	<u>(34,954)</u>	<u>34,954</u>	<u>-</u>	<u>-</u>
Change in fund balances	(86,936)	190,875	3,303	80,128	187,370
Fund balance beginning of year	<u>1,092,498</u>	<u>541,869</u>	<u>7,893</u>	<u>96,275</u>	<u>1,738,535</u>
Fund balance end of year	<u>\$ 1,005,562</u>	<u>732,744</u>	<u>11,196</u>	<u>176,403</u>	<u>1,925,905</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds (page 22) \$ 187,370

**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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays, and depreciation expense for the year is as follows:

Capital outlays	\$ 49,129	
Depreciation expense	<u>(140,519)</u>	(91,390)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (6,420)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 262,359

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. 2,056

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits		<u>6,474</u>
-------------------------------	--	--------------

Change in net position of governmental activities (page 19) \$ 360,449

KEOTA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2013

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 6,979
Inventories	1,751
Capital assets, net of accumulated depreciation	26,494
Net OPEB asset	22
TOTAL ASSETS	<u>35,246</u>
LIABILITIES	
Salaries and benefits payable	12,024
Unearned revenue	2,283
TOTAL LIABILITIES	<u>14,307</u>
NET POSITION	
Invested in capital assets	26,494
Unrestricted	(5,555)
TOTAL NET POSITION	<u>\$ 20,939</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating Revenue:	
Local sources:	
Charges for services	\$ 84,983
Other	1,412
Total operating revenues	86,395
Operating Expenses:	
Support Services:	
Operation and maintenance of plant:	
Services	270
Non-instructional programs:	
Food service operations:	
Salaries	50,614
Benefits	26,939
Services	71
Supplies	86,412
Other	75
Depreciation	3,651
	167,762
Total operating expenses	168,032
Operating loss	(81,637)
Non-operating revenues:	
State sources	1,484
Federal sources	70,294
Interest on investments	132
Total non-operating revenues	71,910
Change in net position	(9,727)
Net position beginning of year	30,666
Net position end of year	\$ 20,939

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 85,457
Cash received from miscellaneous	1,412
Cash payments to employees for services	(77,593)
Cash payments to suppliers for goods or services	(81,244)
Net cash used in operating activities	(71,968)
Cash flows from non-capital financing activities:	
State grants received	1,484
Federal grants received	64,598
Net cash provided by non-capital financing activities	66,082
Cash flows from investing activities:	
Interest on investments	132
Net decrease in cash and cash equivalents	(5,754)
Cash and cash equivalents at beginning of year	12,733
Cash and cash equivalents at end of year	\$ 6,979
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (81,637)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,696
Depreciation	3,651
Increase in inventories	(112)
Increase in salaries and benefits payable	552
Increase in unearned revenue	474
Decrease in other postemployment benefits	(592)
Net cash used in operating activities	\$ (71,968)

During the year ended June 30, 2013, the District received Federal commodities valued at \$5,696.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOTA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The Keota Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Keota, Iowa, and the predominate agricultural territory in Keokuk and Washington Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keota Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Keota Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk and Washington Counties Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 fund:

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

The Capital Projects Fund is used to account for all resources used in acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise 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 non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. 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	\$ 2,500
Buildings	5,000
Land improvements	5,000
Intangibles	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - 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.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013 the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment	\$ <u>34,954</u>

The transfer from Capital Projects: Physical Plant and Equipment to Debt Service was needed to make principal and interest payments on the District's capital loan note indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,310	-	-	12,310
Total capital assets not being depreciated	<u>12,310</u>	<u>-</u>	<u>-</u>	<u>12,310</u>
Capital assets being depreciated:				
Buildings	5,204,323	40,540	-	5,244,863
Machinery and equipment	692,253	8,589	-	700,842
Total capital assets being depreciated	<u>5,896,576</u>	<u>49,129</u>	<u>-</u>	<u>5,945,705</u>
Less accumulated depreciation for:				
Buildings	2,388,343	94,814	-	2,483,157
Machinery and equipment	561,530	45,705	-	607,235
Total accumulated depreciation	<u>2,949,873</u>	<u>140,519</u>	<u>-</u>	<u>3,090,392</u>
Total capital assets being depreciated, net	<u>2,946,703</u>	<u>(91,390)</u>	<u>-</u>	<u>2,855,313</u>
Governmental activities capital assets, net	<u>\$ 2,959,013</u>	<u>(91,390)</u>	<u>-</u>	<u>2,867,623</u>
	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 81,669	-	10,114	71,555
Less accumulated depreciation	51,524	3,651	10,114	45,061
Business type activities capital assets, net	<u>\$ 30,145</u>	<u>(3,651)</u>	<u>-</u>	<u>26,494</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction		
Regular		\$ 535
Support services:		
Operation and maintenance of plant		6,327
Transportation		38,843
		<u>45,705</u>
Unallocated depreciation		<u>94,814</u>
Total governmental activities depreciation expense		<u>\$ 140,519</u>
Business type activities:		
Food services		<u>\$ 3,651</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,505,000	-	230,000	1,275,000	240,000
Capital loan note	64,717	-	32,359	32,358	32,358
Net OPEB liability	6,241	-	6,241	-	-
Total	<u>\$ 1,575,958</u>	<u>-</u>	<u>268,600</u>	<u>1,307,358</u>	<u>272,358</u>
Business type activities:					
Net OPEB liability	\$ 570	-	570	-	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond dated April 28, 2008			
	Interest Rates	Principal	Interest	Total
2014	3.25	% \$ 240,000	45,247	285,247
2015	3.40	245,000	37,447	282,447
2016	3.60	250,000	29,118	279,118
2017	3.70	265,000	20,117	285,117
2018	3.75	275,000	10,313	285,313
Total		<u>\$ 1,275,000</u>	<u>142,242</u>	<u>1,417,242</u>

Capital Loan Note Payable

Details of the District's June 30, 2013 capital loan note, which will be paid from the Capital Projects: Physical Plant and Equipment Levy, are as follows:

Year Ending June 30,	Loan dated June 10, 2009				
	Interest Rates	Principal	Interest	Total	
2014	4.00 %	\$ 32,358	1,294	33,652	

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$150,559, \$139,238 and \$124,241, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 30 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and dental benefits are provided through a fully-insured plan with South East Iowa Health Care. Retirees under age 65 pay the same premium for the medical and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 12,916
Interest on net OPEB obligation	68
Adjustment to annual required contribution	(263)
Annual OPEB cost	<u>12,721</u>
Contribution made	<u>(19,787)</u>
Increase in net OPEB obligation	(7,066)
Net OPEB obligation beginning of year	<u>6,811</u>
 Net OPEB obligation end of year	 <u><u>\$ (255)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$19,787 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$9,834	67.6%	\$5,614
2012	\$9,552	87.5%	\$6,811
2013	\$12,721	155.5%	(\$255)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$138,512, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$138,512. The covered payroll (annual payroll of active employees covered by the plan) was \$867,360 and the ratio of the UAAL to covered payroll was 15.97%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 1% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$822 per month for both single eligible members and retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEIHC for the year ended June 30, 2013 were \$282,688.

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

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

Keota Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial

insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$120,630 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's restricted fund balance for categorical funding June 30, 2013 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction	\$ 29
Teacher salary supplement	11,907
Professional development for model core curriculum	20,054
Educator quality, Professional development	11,425
Market factor incentives	858
Total	\$ 44,273

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2013, expenditures in the other expenditure functional area exceeded the amount budgeted.

(12) Deficit Unrestricted Net Position

The District had a deficit unrestricted net position in the Enterprise: School Nutrition Fund of \$5,555 at June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

KEOTA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES,
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual		Actual		Variance
Revenues:						
Local sources	\$ 2,902,702	86,527	2,989,229	3,000,879	3,000,879	(11,650)
State sources	1,551,797	1,484	1,553,281	1,568,347	1,568,347	(15,066)
Federal sources	101,745	70,294	172,039	184,000	184,000	(11,961)
Total revenues	<u>4,556,244</u>	<u>158,305</u>	<u>4,714,549</u>	<u>4,753,226</u>	<u>4,753,226</u>	<u>(38,677)</u>
Expenditures/Expenses:						
Instruction	2,780,895	-	2,780,895	2,967,000	2,967,000	186,105
Support services	1,046,831	270	1,047,101	1,581,750	1,581,750	534,649
Non-instructional programs	3,000	167,762	170,762	176,000	176,000	5,238
Other expenditures	538,148	-	538,148	439,518	439,518	(98,630)
Total expenditures/expenses	<u>4,368,874</u>	<u>168,032</u>	<u>4,536,906</u>	<u>5,164,268</u>	<u>5,164,268</u>	<u>627,362</u>
Excess(Deficiency) of revenues over (under) expenditures/expenses	187,370	(9,727)	177,643	(411,042)	(411,042)	588,685
Balance beginning of year	<u>1,738,535</u>	<u>30,666</u>	<u>1,769,201</u>	<u>847,469</u>	<u>847,469</u>	<u>921,732</u>
Balance end of year	<u>\$ 1,925,905</u>	<u>20,939</u>	<u>1,946,844</u>	<u>436,427</u>	<u>436,427</u>	<u>1,510,417</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the amount budgeted.

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	94,932	94,932	0.0%	\$ 1,003,418	9.46%
2011	July 1, 2009	-	94,932	94,932	0.0%	922,434	10.29%
2012	July 1, 2009	-	94,932	94,932	0.0%	995,267	9.54%
2013	July 1, 2012	-	138,512	138,512	0.0%	867,360	15.97%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDIT REPORT

SUPPLEMENTARY INFORMATION

KEOTA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 118,981	56,207	175,188
Receivables:			
Property tax:			
Delinquent	1,215	-	1,215
Succeeding year	80,000	-	80,000
TOTAL ASSETS	\$ 200,196	56,207	256,403
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 80,000	-	80,000
Fund balances:			
Restricted for:			
Management levy purposes	120,196	-	120,196
Student activities	-	56,207	56,207
Total fund balances	120,196	56,207	176,403
TOTAL LIABILITIES AND FUND BALANCES	\$ 200,196	56,207	256,403

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 122,587	-	122,587
Other	1,576	174,160	175,736
Total revenues	124,163	174,160	298,323
Expenditures:			
Current:			
Instruction:			
Other	-	168,658	168,658
Support services:			
Administration	25,529	-	25,529
Operation and maintenance of plant	17,000	-	17,000
Transportation	7,008	-	7,008
Total expenditures	49,537	168,658	218,195
Change in fund balances	74,626	5,502	80,128
Fund balances beginning of year	45,570	50,705	96,275
Fund balances end of year	\$ 120,196	56,207	176,403

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 593,220	20,068	613,288
Receivables:			
Property tax:			
Delinquent	-	504	504
Succeeding year	-	51,257	51,257
Due from other governments	128,496	-	128,496
TOTAL ASSETS	\$ 721,716	71,829	793,545
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,544	-	9,544
Deferred revenue:			
Succeeding year property tax	-	51,257	51,257
Total liabilities	9,544	51,257	60,801
Fund balances:			
Restricted for:			
School infrastructure	712,172	-	712,172
Physical plant and equipment	-	20,572	20,572
Total fund balances	712,172	20,572	732,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 721,716	71,829	793,545

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 274,259	50,839	325,098
Other	1,198	4,800	5,998
Total revenues	<u>275,457</u>	<u>55,639</u>	<u>331,096</u>
Expenditures:			
Support services:			
Operation and maintenance of plant	4,463	-	4,463
Transportation	617	-	617
Capital outlay	93,652	6,535	100,187
Total expenditures	<u>98,732</u>	<u>6,535</u>	<u>105,267</u>
Excess of revenues over expenditures	176,725	49,104	225,829
Other financing uses:			
Transfer out	-	(34,954)	(34,954)
Change in fund balances	176,725	14,150	190,875
Fund balances beginning of year	535,447	6,422	541,869
Fund balances end of year	<u>\$ 712,172</u>	<u>20,572</u>	<u>732,744</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,458	2,002	2,089	1,371
Speech Club	2,623	13,799	11,817	4,605
Athletics	12,948	36,382	44,051	5,279
Cheerleaders	249	735	893	91
FFA	1,653	27,582	23,996	5,239
FCCLA	3,681	-	57	3,624
Student Council	1,113	2,617	2,606	1,124
EagleRock!	450	13,108	12,325	1,233
Walking Trail	1,408	3,300	-	4,708
Science Club	32	250	226	56
Class of 2012	1,088	-	1,088	-
Class of 2013	424	26,906	26,430	900
Class of 2014	457	3,365	3,069	753
Class of 2015	-	392	-	392
Special Baseball	7,905	9,633	6,004	11,534
Special Boys Track	711	500	-	1,211
Special Volleyball	2,722	2,359	2,785	2,296
Special Girls Track	149	500	-	649
Special Softball	3,973	1,437	3,227	2,183
Special Boys Basketball	4,632	3,535	6,391	1,776
Special Girls Basketball	2,672	8,806	7,270	4,208
Tournament	-	15,964	13,964	2,000
Special Cross Country	120	-	-	120
Special Golf	237	988	370	855
Total	\$ 50,705	174,160	168,658	56,207

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,485,705	2,542,432	2,423,188	1,852,518	2,026,385	1,959,570	1,839,674	1,974,821	2,003,961	1,932,155
Tuition	95,368	91,035	111,373	85,934	155,633	138,612	107,280	108,707	120,494	131,901
Other	321,629	455,823	324,348	361,245	183,869	230,224	177,562	136,943	114,698	114,780
State sources	1,551,797	1,506,524	1,466,452	1,132,681	1,323,678	1,266,068	1,277,225	1,267,901	1,312,969	1,220,613
Federal sources	101,745	168,224	259,158	243,455	105,781	110,671	116,004	128,459	134,997	139,977
Total	\$ 4,556,244	4,764,038	4,584,519	3,675,833	3,795,346	3,705,145	3,517,745	3,616,831	3,687,119	3,539,426
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,728,649	1,458,502	1,406,999	1,352,497	1,457,514	1,488,962	1,531,236	1,442,892	1,492,419	1,427,249
Special	546,634	484,531	491,733	325,036	321,993	269,783	217,172	281,300	256,290	525,755
Other	505,612	520,490	665,087	609,776	437,364	431,292	460,867	404,984	380,720	148,884
Support services:										
Student	41,512	12,944	16,626	43,367	38,259	37,775	35,443	37,587	42,016	41,879
Instructional staff	188,267	137,421	81,408	118,261	97,256	151,994	110,642	124,557	103,735	48,308
Administration	400,795	419,499	431,642	440,746	425,727	461,481	435,309	366,462	363,463	392,841
Operation and maintenance of plant	274,838	306,734	309,623	324,857	548,799	291,560	305,326	368,869	321,058	265,770
Transportation	141,419	175,075	155,971	168,397	140,824	150,155	124,749	148,309	128,725	118,320
Non-instructional programs	3,000	0	460	607	0	0	0	4,492	0	0
Capital outlays	100,187	35,974	57,561	20,877	66,887	102,539	97,894	62,900	67,612	53,254
Long-term debt:										
Principal	262,359	257,358	247,358	242,358	190,000	221,641	210,270	203,951	192,680	181,458
Interest	54,972	63,411	70,725	73,561	76,193	111,018	119,287	129,107	140,277	150,500
Other expenditures:										
AEA flow-through	120,630	118,555	133,673	131,272	118,474	116,027	112,418	106,197	107,097	108,594
Total	\$ 4,368,874	3,990,494	4,068,866	3,851,612	3,919,290	3,834,227	3,760,613	3,681,607	3,596,092	3,462,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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 Keota Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keota Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Keota Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Keota Community School District's internal control.

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keota Community School District's Responses to Findings

Keota Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Keota Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keota Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, mailing and recording.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - journalizing, posting, reconciling, purchase order processing and check preparation

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

Response - The District will review its procedures and continue to look for ways to segregate duties in the office.

Conclusion - Response accepted.

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - During the year ended June 30, 2013 expenditures in the other expenditures functional area exceeded the amount budgeted.

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

Response - The District will monitor expenditures and amend the budget when necessary.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike McNurlen, Speech Aide Owns DJ service	Purchased Services	\$ 550
Lisa Brenneman, Principal Spouse owns snow removal service	Purchased Services	\$ 2,400

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the speech aide for DJ services do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the District employee do not appear to represent a conflict of interest.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit.

Beginning balance		\$ 535,447
Revenues:		
Statewide sales, services and use tax revenue	\$ 274,259	
Other local revenues	1,198	275,457
		<u>810,904</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 93,652	
Equipment	4,463	
Other	617	98,732
Ending Balance		<u><u>\$ 712,172</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Financial Condition - The District had a deficit unrestricted net position of \$5,555 in the Enterprise: School Nutrition Fund at June 30, 2013.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficit.

Response - The District has increased lunch prices and added additional a la carte items to increase revenues. The District will continue to monitor expenditures in the School Nutrition Fund.

Conclusion - Response accepted.