

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

JUNE 30, 2014

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Keokuk Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

(Before September 2013 Elections)

| | | |
|------------------|----------------|------|
| Tyler McHughy | President | 2013 |
| Sandy Stark | Vice President | 2015 |
| Alka Khanolkar | Board Member | 2013 |
| Roger Kokemuller | Board Member | 2013 |
| John Davis | Board Member | 2015 |
| Mike Beaird | Board Member | 2015 |
| Mark Pfaffe | Board Member | 2015 |

(After September 2013 Elections)

| | | |
|----------------|----------------|------|
| Mike Beaird | President | 2015 |
| Sandy Stark | Vice President | 2015 |
| Alka Khanolkar | Board Member | 2017 |
| Jane Abell | Board Member | 2017 |
| John Davis | Board Member | 2015 |
| Carrie Steele | Board Member | 2017 |
| Mark Pfaffe | Board Member | 2015 |

School Officials

| | | |
|-------------------------|--|------|
| Dr. Lora Wolf | Superintendent | 2014 |
| Greg Reynolds | District Secretary/Treasurer and Business Manager | 2014 |
| Ahlers and Cooney, P.C. | Attorney | 2014 |
| Dorsey & Whitney, LLP | Attorney | 2014 |
| James F. Dennis | Attorney | 2014 |

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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District, Keokuk, Iowa, as of and for the year ended June 30, 2014, 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, business type activities, each major fund, and the aggregate remaining fund information of the Keokuk Community School District at June 30, 2014 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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 the 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 Keokuk Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, 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 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 5, 2015, on our consideration of the Keokuk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keokuk Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2015
Newton, Iowa



Keokuk Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Keokuk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$19,787,988 in fiscal year 2013 to \$20,949,464 in fiscal year 2014, while General Fund expenditures increased from \$21,321,969 in fiscal year 2013 to \$21,519,526 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$2,844,547 at June 30, 2013 to a balance of \$2,274,485 at June 30, 2014, a 20.04% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax revenues in fiscal 2014. The increase in expenditures was primarily due to an increase in negotiated salaries and benefits paid to District employees.

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

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

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

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

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

Figure A-1
Keokuk Community School District Annual Financial Report

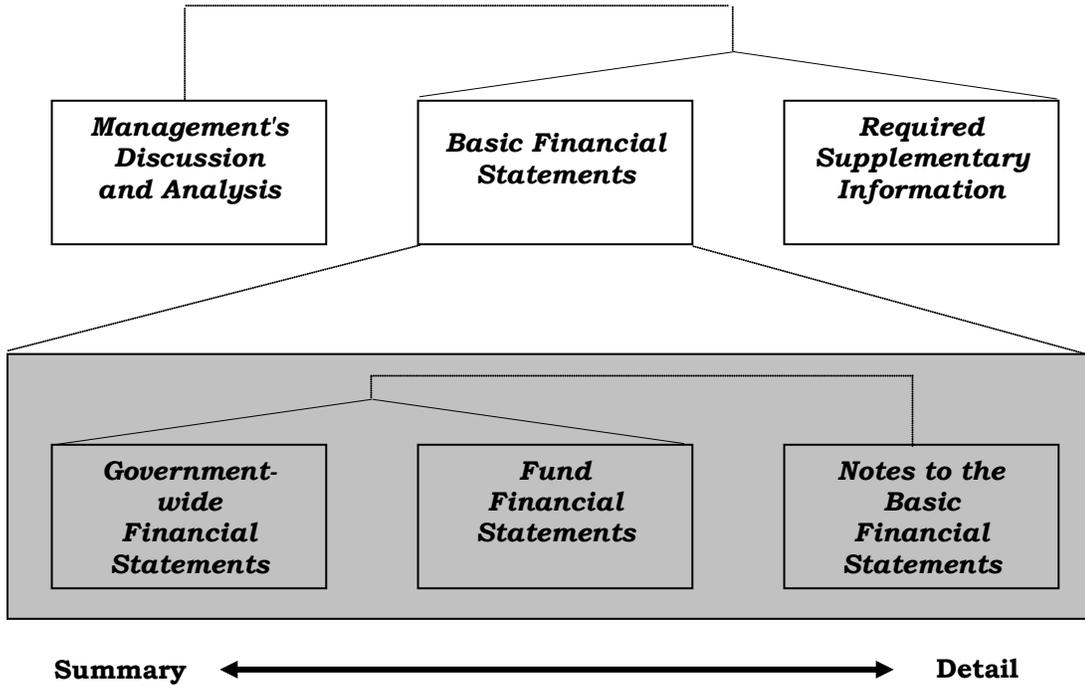


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 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 three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

| Figure A-3 Condensed Statement of Net Position | | | | | | | |
|---|----------------------------|------------|-----------------------------|---------|-------------------|------------|-----------------|
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | 2014 | 2013 | June 30, | | June 30, | | June 30, |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Current and other assets | \$15,108,881 | 15,543,476 | 111,513 | 93,097 | 15,220,394 | 15,636,573 | -2.66% |
| Capital assets | 33,335,902 | 33,343,430 | 229,794 | 298,607 | 33,565,696 | 33,642,037 | -0.23% |
| Total assets | 48,444,783 | 48,886,906 | 341,307 | 391,704 | 48,786,090 | 49,278,610 | -1.00% |
| Long-term obligations | 16,835,461 | 18,324,116 | - | - | 16,835,461 | 18,324,116 | -8.12% |
| Other liabilities | 1,098,403 | 695,427 | 17,494 | 16,957 | 1,115,897 | 712,384 | 56.64% |
| Total liabilities | 17,933,864 | 19,019,543 | 17,494 | 16,957 | 17,951,358 | 19,036,500 | -5.70% |
| Deferred inflows of resources | 7,122,289 | 6,936,567 | - | - | 7,122,289 | 6,936,567 | 2.68% |
| Net position: | | | | | | | |
| Net investment in capital assets | 17,140,902 | 15,873,430 | 229,794 | 298,607 | 17,370,696 | 16,172,037 | 7.41% |
| Restricted | 4,468,071 | 4,860,555 | - | - | 4,468,071 | 4,860,555 | -8.07% |
| Unrestricted | 1,779,657 | 2,196,811 | 94,019 | 76,140 | 1,873,676 | 2,272,951 | -17.57% |
| Total net position | \$23,388,630 | 22,930,796 | 323,813 | 374,747 | 23,712,443 | 23,305,543 | 1.75% |

The District's combined net position decreased by 1.75% or \$406,900 over the prior year. The largest portion of the District's net position is the invested in capital assets, (e.g., land, infrastructure, intangibles, 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 represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased \$392,484 or 8.07% from the prior year. This decrease was primarily a result of the decrease in the Capital Projects: Physical Plant and Equipment Levy Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$399,275 or 17.57%. This decrease in unrestricted net position was primarily the result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

| | Figure A-4 | | | | | | |
|---|-------------------------|------------|--------------------------|-----------|----------------|------------|--------------|
| | Changes in Net Position | | | | | | |
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-14 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 643,099 | 547,076 | 241,735 | 246,407 | 884,834 | 793,483 | 11.51% |
| Operating grants, contributions and restricted interest | 2,576,564 | 2,640,204 | 703,825 | 641,119 | 3,280,389 | 3,281,323 | -0.03% |
| Operating grants, contributions and restricted interest | 94,546 | 98,870 | - | - | 94,546 | 98,870 | -4.37% |
| General revenues: | | | | | | | |
| Property tax | 6,939,292 | 6,705,635 | - | - | 6,939,292 | 6,705,635 | 3.48% |
| Statewide sales, services and use tax | 1,698,707 | 1,639,280 | - | - | 1,698,707 | 1,639,280 | 3.63% |
| Unrestricted state grants | 12,351,291 | 11,567,810 | - | - | 12,351,291 | 11,567,810 | 6.77% |
| Unrestricted investment earnings | 14,961 | 35,659 | 96 | 92 | 15,057 | 35,751 | -57.88% |
| Other | 112,645 | 176,543 | 1,374 | 259 | 114,019 | 176,802 | -35.51% |
| Gain on the sale of real property | - | 390,213 | - | - | - | 390,213 | -100.00% |
| Total revenues | 24,431,105 | 23,801,290 | 947,030 | 887,877 | 25,378,135 | 24,689,167 | 2.79% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instructional | 14,781,554 | 14,774,602 | - | - | 14,781,554 | 14,774,602 | 0.05% |
| Support services | 6,745,078 | 6,144,201 | 23,578 | 23,189 | 6,768,656 | 6,167,390 | 9.75% |
| Non-instructional programs | 2,612 | 13,689 | 974,386 | 980,890 | 976,998 | 994,579 | -1.77% |
| Other expenses | 2,444,027 | 2,336,747 | - | - | 2,444,027 | 2,336,747 | 4.59% |
| Total expenses | 23,973,271 | 23,269,239 | 997,964 | 1,004,079 | 24,971,235 | 24,273,318 | 2.88% |
| Change in net position | 457,834 | 532,051 | (50,934) | (116,202) | 406,900 | 415,849 | 2.15% |
| Net position beginning of year | 22,930,796 | 22,398,745 | 374,747 | 490,949 | 23,305,543 | 22,889,694 | 1.82% |
| Net position end of year | \$23,388,630 | 22,930,796 | 323,813 | 374,747 | 23,712,443 | 23,305,543 | 1.75% |

In fiscal year 2014, property tax, statewide sales, services and use tax and unrestricted state grants account for 85.91% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.84% of the revenue from business type activities.

The District's total revenues were approximately \$25.38 million, of which \$24.43 million was for governmental activities and approximately \$0.95 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.44% increase in revenues and a 2.88% increase in expenses. The increase in expenditures was related to an increase in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$24,431,105 and expenses were \$23,973,271.

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, 2014 compared to the year ended June 30, 2013.

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| | 2014 | 2013 | Change 2013-14 | 2014 | 2013 | Change 2013-14 |
| Instruction | \$ 14,781,554 | 14,774,602 | 0.05% | 12,434,989 | 12,399,900 | 0.28% |
| Support services | 6,745,078 | 6,144,201 | 9.78% | 6,615,872 | 6,039,509 | 9.54% |
| Non-instructional programs | 2,612 | 13,689 | -80.92% | 2,612 | 13,689 | -80.92% |
| Other expenses | 2,444,027 | 2,336,747 | 4.59% | 1,605,589 | 1,529,991 | 4.94% |
| Total | \$ 23,973,271 | 23,269,239 | 3.03% | 20,659,062 | 19,983,089 | 3.38% |

- The cost financed by users of the District's programs was \$643,099.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,671,110.
- The net cost of governmental activities was financed with \$6,939,292 in property tax, \$1,698,707 in statewide sales, service and use tax, \$12,351,291 in unrestricted state grants, \$14,961 in interest income and \$112,645 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$947,030 and expenses were \$997,964. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,574,299, compared to last year's ending fund balances of \$7,690,578. The primary reason for the decrease was due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. The District's General Fund balance decreased from \$2,844,547 at June 30, 2013 to \$2,274,485 at June 30, 2014. The primary reason for this decrease in fund balance is an increase in negotiated salaries and benefits.
- The Capital Projects Fund balance decreased from \$3,079,632 at June 30, 2013 to \$2,605,088 at June 30, 2014. The decrease was primarily the result of the purchase of buses from the Capital Projects: Physical Plant and Equipment Levy Fund.

- The Debt Service Fund balance decreased from \$1,107,817 at June 30, 2013 to \$1,057,867 at June 30, 2014. The Debt Service Fund balance decreased during the year due to payment of principal and interest payments on the District's bond indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$374,747 at June 30, 2013 to \$323,813 at June 30, 2014, representing a decrease of approximately 13.59%. The increase in revenue received during the year was primarily due to an increase in federal revenue received. The decrease in expenditures was associated with a decrease in food expenditures when compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,321,621 less than budgeted revenues, a variance of 4.95%. The most significant variance resulted from the District less in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$33,565,696, 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 0.23% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,324,769.

The original cost of the District's capital assets was \$51,520,008. Governmental funds account for \$50,571,113 with the remainder of \$948,895 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment. The District's machinery and equipment totaled \$772,422 at June 30, 2013, compared to \$1,234,959 reported at June 30, 2014. This increase resulted primarily from the District updating its building security and surveillance monitoring systems.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|---------------|--------------------------|---------------|----------------|---------------|--------------|
| | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | June 30, 2014 | June 30, 2013 | 2013-14 |
| Land | \$ 815,351 | 815,351 | - | - | 815,351 | 815,351 | 0.00% |
| Construction in progress | 40,225 | 38,552 | - | - | 40,225 | 38,552 | 4.34% |
| Buildings | 29,702,810 | 30,311,823 | - | - | 29,702,810 | 30,311,823 | -2.01% |
| Land improvements | 1,772,351 | 1,703,889 | - | - | 1,772,351 | 1,703,889 | 4.02% |
| Machinery and equipment | 1,005,165 | 473,815 | 229,794 | 298,607 | 1,234,959 | 772,422 | 59.88% |
| Total | \$ 33,335,902 | 33,343,430 | 229,794 | 298,607 | 33,565,696 | 33,642,037 | -0.23% |

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$16,835,461 in general obligation bonds, revenue bonds and other long-term debt. This represents a decrease of 8.12% 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 \$2,860,000 at June 30, 2014.
- The District had outstanding Revenue Bonds of \$13,335,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding termination benefits payable of \$497,409 at June 30, 2014. \$12,000 is payable from the General Fund while the remaining \$485,409 is payable from the Special Revenue, Management Levy Fund.
- The District had outstanding compensated absences payable from the General Fund of \$143,052 at June 30, 2014.

| | Figure A-7 | | |
|--------------------------|-----------------------------------|-------------------|---------------|
| | Outstanding Long-Term Obligations | | |
| | Total | Total | Total |
| | District | Change | |
| | June 30, | June 30, | |
| | 2014 | 2013 | 2013-14 |
| General obligation bonds | \$ 2,860,000 | 3,435,000 | -16.74% |
| Revenue bonds | 13,335,000 | 14,035,000 | -4.99% |
| Termination benefits | 497,409 | 718,710 | -30.79% |
| Compensated absences | 143,052 | 135,406 | 5.65% |
| Total | <u>\$ 16,835,461</u> | <u>18,324,116</u> | <u>-8.12%</u> |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The State of Iowa has set the supplemental state aid (formerly allowable growth) rates for fiscal years 2014 and 2015 at two and four percent, respectively. The State of Iowa also provided a one-time two percent supplemental state aid allocation for fiscal year 2014. At this time, the District is unable to determine the level of the allowable growth rates from the State of Iowa for any future fiscal periods beyond fiscal year 2015. As the District's General Fund budget is comprised of approximately 80 percent salary and benefits, the ability to negotiate future salary settlements will continue to have a significant impact on future budget decisions.
- The Iowa school funding formula is highly dependent upon student enrollment. The District has continued to experience a decline in enrollment of 213 student, or 9.6% of the student population in the last five years which will continue to negatively impact the District's revenues while costs are expected to increase.
- The District has experienced little to no growth in taxable valuations in recent years which will force a shifting in funding between state aid and property taxes.

-
- The state of the national economy has historically influenced the State's economy. While it appears that the economy has improved at both national and state levels, future funding to schools in Iowa will undoubtedly continue to be directly affected. The state has issued three mid-year budget reductions to schools in the last ten years and future state funding reductions are always a concern.

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 Heidi Harness, District Secretary/Treasurer and Business Manager, Keokuk Community School District, 1721 Fulton Street, Keokuk, Iowa, 52632.

Basic Financial Statements

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 6,310,346 | 69,009 | 6,379,355 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 174,678 | - | 174,678 |
| Succeeding year | 7,122,289 | - | 7,122,289 |
| Accounts | 77,099 | 1,583 | 78,682 |
| Due from other governments | 737,070 | - | 737,070 |
| Inventories | - | 14,139 | 14,139 |
| Net OPEB asset | 687,399 | 26,782 | 714,181 |
| Capital assets, net of accumulated depreciation | 33,335,902 | 229,794 | 33,565,696 |
| Total Assets | 48,444,783 | 341,307 | 48,786,090 |
| Liabilities | | | |
| Accounts payable | 688,401 | 5,614 | 694,015 |
| Advances from grantors | 36,493 | - | 36,493 |
| Accrued interest payable | 373,509 | - | 373,509 |
| Unearned revenue | - | 11,880 | 11,880 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 575,000 | - | 575,000 |
| Revenue bonds payable | 660,000 | - | 660,000 |
| Termination benefits | 345,459 | - | 345,459 |
| Compensated absences | 143,052 | - | 143,052 |
| Portion due after one year: | | | |
| General obligation bonds payable | 2,285,000 | - | 2,285,000 |
| Revenue bonds payable | 12,675,000 | - | 12,675,000 |
| Termination benefits | 151,950 | - | 151,950 |
| Total Liabilities | 17,933,864 | 17,494 | 17,951,358 |
| Deferred inflows of resources | | | |
| Unavailable property tax revenue | 7,122,289 | - | 7,122,289 |
| Net Position | | | |
| Net investment in capital assets | 17,140,902 | 229,794 | 17,370,696 |
| Restricted for: | | | |
| Categorical funding | 1,027,175 | - | 1,027,175 |
| Debt service | 1,953,497 | - | 1,953,497 |
| School infrastructure | 1,205,191 | - | 1,205,191 |
| Physical plant and equipment levy | 130,758 | - | 130,758 |
| Management levy purposes | 99,331 | - | 99,331 |
| Student activities | 52,119 | - | 52,119 |
| Unrestricted | 1,779,657 | 94,019 | 1,873,676 |
| Total Net Position | \$ 23,388,630 | 323,813 | 23,712,443 |

SEE NOTES TO FINANCIAL STATEMENTS.

**KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|---------------------------|--|--|---------------------------------|--------------------------------|--------------|
| | Expenses | Charges for Service | 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 | \$ 8,196,759 | 305,188 | 219,459 | - | (7,672,112) | - | (7,672,112) |
| Special | 4,168,095 | 29,949 | 561,404 | - | (3,576,742) | - | (3,576,742) |
| Other | 2,416,700 | 282,569 | 941,996 | 6,000 | (1,186,135) | - | (1,186,135) |
| | 14,781,554 | 617,706 | 1,722,859 | 6,000 | (12,434,989) | - | (12,434,989) |
| Support services: | | | | | | | |
| Student | 964,083 | - | 339 | - | (963,744) | - | (963,744) |
| Instructional staff | 565,934 | 24,419 | - | - | (541,515) | - | (541,515) |
| Administration | 2,449,870 | - | 1,000 | - | (2,448,870) | - | (2,448,870) |
| Operation and maintenance of plant | 2,116,766 | - | - | 88,546 | (2,028,220) | - | (2,028,220) |
| Transportation | 648,425 | 974 | 13,928 | - | (633,523) | - | (633,523) |
| | 6,745,078 | 25,393 | 15,267 | 88,546 | (6,615,872) | - | (6,615,872) |
| Non-instructional programs: | | | | | | | |
| Community service and education operations | 2,612 | - | - | - | (2,612) | - | (2,612) |
| Long-term debt interest | 674,626 | - | - | - | (674,626) | - | (674,626) |
| Other expenditures: | | | | | | | |
| AEA flowthrough | 838,438 | - | 838,438 | - | - | - | - |
| Depreciation(unallocated)* | 930,963 | - | - | - | (930,963) | - | (930,963) |
| | 1,769,401 | - | 838,438 | - | (930,963) | - | (930,963) |
| Total governmental activities | 23,973,271 | 643,099 | 2,576,564 | 94,546 | (20,659,062) | - | (20,659,062) |
| Business type activities: | | | | | | | |
| Support services: | | | | | | | |
| Operation and maintenance of plant | 23,578 | - | - | - | - | (23,578) | (23,578) |
| Non-instructional programs: | | | | | | | |
| Food service operations | 974,386 | 241,735 | 703,825 | - | - | (28,826) | (28,826) |
| Total business type activities | 997,964 | 241,735 | 703,825 | - | - | (52,404) | (52,404) |
| Total | \$ 24,971,235 | 884,834 | 3,280,389 | 94,546 | (20,659,062) | (52,404) | (20,711,466) |
| General Revenues: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | \$ 6,194,683 | - | | 6,194,683 |
| Debt service | | | | 610,173 | - | | 610,173 |
| Capital outlay | | | | 134,436 | - | | 134,436 |
| Statewide sales, services and use tax | | | | 1,698,707 | - | | 1,698,707 |
| Unrestricted state grants | | | | 12,351,291 | - | | 12,351,291 |
| Unrestricted investment earnings | | | | 14,961 | 96 | | 15,057 |
| Other | | | | 112,645 | 1,374 | | 114,019 |
| Total general revenues | | | | 21,116,896 | 1,470 | | 21,118,366 |
| Changes in net position | | | | 457,834 | (50,934) | | 406,900 |
| Net position beginning of year | | | | 22,930,796 | 374,747 | | 23,305,543 |
| Net position end of year | | | | \$ 23,388,630 | 323,813 | | 23,712,443 |

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

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|---|---------------------|---------------------|------------------|------------------|-------------------|
| Assets | | | | | |
| Cash and pooled investments | \$ 2,317,815 | 2,296,759 | 1,043,600 | 652,172 | 6,310,346 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 140,213 | 3,144 | 14,267 | 17,054 | 174,678 |
| Succeeding year | 5,722,828 | 134,420 | 605,039 | 660,002 | 7,122,289 |
| Accounts | 76,681 | 418 | - | - | 77,099 |
| Due from other governments | 398,720 | 338,350 | - | - | 737,070 |
| Total Assets | \$ 8,656,257 | 2,773,091 | 1,662,906 | 1,329,228 | 14,421,482 |
| Liabilities, deferred inflows of resources and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 622,451 | 33,583 | - | 32,367 | 688,401 |
| Advances from grantors | 36,493 | - | - | - | 36,493 |
| Total liabilities | 658,944 | 33,583 | - | 32,367 | 724,894 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 5,722,828 | 134,420 | 605,039 | 660,002 | 7,122,289 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 1,027,175 | - | - | - | 1,027,175 |
| Debt service | - | 1,269,139 | 1,057,867 | - | 2,327,006 |
| School infrastructure | - | 1,205,191 | - | - | 1,205,191 |
| Physical plant and equipment | - | 130,758 | - | - | 130,758 |
| Management levy purposes | - | - | - | 584,740 | 584,740 |
| Student activities | - | - | - | 52,119 | 52,119 |
| Unassigned | 1,247,310 | - | - | - | 1,247,310 |
| Total fund balances | 2,274,485 | 2,605,088 | 1,057,867 | 636,859 | 6,574,299 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 8,656,257 | 2,773,091 | 1,662,906 | 1,329,228 | 14,421,482 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

| | |
|--|-----------------------------|
| Total fund balances of governmental funds(page 20) | \$ 6,574,299 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | 33,335,902 |
| Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (373,509) |
| Other postemployment benefits are not yet available to finance expenditures of the current fiscal period. | 687,399 |
| Long-term liabilities, including bonds payable, compensated absences payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(16,835,461)</u> |
| Net position of governmental activites(page 18) | <u><u>\$ 23,388,630</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|--|--------------|---------------------|-----------------|------------|--------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 5,530,106 | 134,436 | 610,173 | 664,577 | 6,939,292 |
| Tuition | 298,054 | - | - | - | 298,054 |
| Other | 196,016 | 95,022 | 42 | 284,126 | 575,206 |
| State sources | 13,506,910 | 1,698,707 | - | - | 15,205,617 |
| Federal sources | 1,412,936 | - | - | - | 1,412,936 |
| Total revenues | 20,944,022 | 1,928,165 | 610,215 | 948,703 | 24,431,105 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 8,473,571 | - | - | 265,300 | 8,738,871 |
| Special | 4,104,303 | - | - | - | 4,104,303 |
| Other | 1,999,364 | 69,002 | - | 285,477 | 2,353,843 |
| | 14,577,238 | 69,002 | - | 550,777 | 15,197,017 |
| Support services: | | | | | |
| Student | 960,429 | - | - | - | 960,429 |
| Instructional staff | 557,038 | - | - | - | 557,038 |
| Administration | 2,307,642 | 100,290 | 4,750 | 53,171 | 2,465,853 |
| Operation and maintenance of plant | 1,771,748 | - | - | 330,111 | 2,101,859 |
| Transportation | 504,381 | 202,997 | - | 36,367 | 743,745 |
| | 6,101,238 | 303,287 | 4,750 | 419,649 | 6,828,924 |
| Non-instructional programs: | | | | | |
| Community service and education operations | 2,612 | - | - | - | 2,612 |
| Capital outlay | - | 822,531 | - | - | 822,531 |
| Long-term debt: | | | | | |
| Principal | - | - | 1,275,000 | - | 1,275,000 |
| Interest and fiscal charges | - | - | 588,304 | - | 588,304 |
| | - | - | 1,863,304 | - | 1,863,304 |
| Other expenditures: | | | | | |
| AEA flowthrough | 838,438 | - | - | - | 838,438 |
| Total expenditures | 21,519,526 | 1,194,820 | 1,868,054 | 970,426 | 25,552,826 |
| Excess(Deficiency) of revenues over(under) expenditures | (575,504) | 733,345 | (1,257,839) | (21,723) | (1,121,721) |
| Other financing sources(uses): | | | | | |
| Transfer in | - | - | 1,207,889 | - | 1,207,889 |
| Transfer out | - | (1,207,889) | - | - | (1,207,889) |
| Insurance proceeds | 3,092 | - | - | - | 3,092 |
| Sale of capital assets | 2,350 | - | - | - | 2,350 |
| Total other financing sources(uses) | 5,442 | (1,207,889) | 1,207,889 | - | 5,442 |
| Change in fund balances | (570,062) | (474,544) | (49,950) | (21,723) | (1,116,279) |
| Fund balances beginning of year | 2,844,547 | 3,079,632 | 1,107,817 | 658,582 | 7,690,578 |
| Fund balances end of year | \$ 2,274,485 | \$ 2,605,088 | \$ 1,057,867 | \$ 636,859 | \$ 6,574,299 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

| | | |
|---|--------------------|--------------------------|
| Change in fund balances - total governmental funds(page 22) | | \$ (1,116,279) |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| Capital outlay 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 outlay expenditures and depreciation expense in the current year were as follows: | | |
| Capital outlay expenditures | \$ 1,248,428 | |
| Depreciation expense | <u>(1,255,956)</u> | (7,528) |
| 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. | | |
| | | 1,275,000 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | |
| | | (86,322) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. | | |
| Termination benefits | 221,301 | |
| Compensated absences | (7,646) | |
| Other postemployment benefits | <u>179,308</u> | <u>392,963</u> |
| Change in net position of governmental activities(page 19) | | <u><u>\$ 457,834</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

| | Enterprise: School Nutrition |
|---|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and pooled investments | \$ 69,009 |
| Accounts receivable | 1,583 |
| Inventories | 14,139 |
| Net OPEB asset | 26,782 |
| Total current assets | 111,513 |
| Non-current assets: | |
| Capital assets, net of accumulated depreciation | 229,794 |
| TOTAL ASSETS | 341,307 |
| LIABILITIES | |
| Accounts payable | 5,614 |
| Unearned revenue | 11,880 |
| TOTAL LIABILITIES | 17,494 |
| NET POSITION | |
| Invested in capital assets | 229,794 |
| Unrestricted | 94,019 |
| TOTAL NET POSITION | \$ 323,813 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

| | Enterprise: School Nutrition |
|-------------------------------------|------------------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 241,735 |
| Miscellaneous | 1,374 |
| Total operating revenues | 243,109 |
| Operating expenses: | |
| Support services: | |
| Operation and maintenance of plant: | |
| Services | 15,590 |
| Supplies | 7,988 |
| | 23,578 |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 289,518 |
| Benefits | 140,489 |
| Services | 1,250 |
| Supplies | 474,316 |
| Depreciation | 68,813 |
| | 974,386 |
| Total operating expenses | 997,964 |
| Operating loss | (754,855) |
| Non-operating revenues: | |
| State sources | 7,623 |
| Federal sources | 696,202 |
| Interest income | 96 |
| Total non-operating revenues | 703,921 |
| Change in net position | (50,934) |
| Net position beginning of year | 374,747 |
| Net position end of year | \$ 323,813 |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2014

| | Enterprise: School Nutrition |
|---|------------------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 241,985 |
| Cash received from miscellaneous operating activities | 1,374 |
| Cash payments to employees for services | (436,993) |
| Cash payments to suppliers for goods or services | (425,598) |
| Net cash used in operating activities | (619,232) |
| Cash flows from non-capital financing activities: | |
| State grants received | 7,623 |
| Federal grants received | 630,616 |
| Net cash provided by non-capital financing activities | 638,239 |
| Cash flows from investing activities: | |
| Interest on investments | 96 |
| Net increase in cash and cash equivalents | 19,103 |
| Cash and cash equivalents at beginning of year | 49,906 |
| Cash and cash equivalents at end of year | \$ 69,009 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (754,855) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 69,416 |
| Depreciation | 68,813 |
| Decrease in inventories | 3,480 |
| Decrease in accounts receivable | 363 |
| Increase in accounts payable | 650 |
| Decrease in unearned revenue | (113) |
| Decrease in other postemployment benefits | (6,986) |
| Net cash used in operating activities | \$ (619,232) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received \$69,416 in federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

| | <u>Private Purpose Trust Scholarships</u> |
|-----------------------------|---|
| Assets | |
| Cash and pooled investments | <u>\$ 140,445</u> |
| Liabilities | <u>-</u> |
| Net Position | |
| Restricted for scholarships | <u>\$ 140,445</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

| | <u>Private Purpose Trust</u> |
|--------------------------------|----------------------------------|
| | <u>Scholarships</u> |
| ADDITIONS: | |
| Local sources: | |
| Gifts and contributions | \$ 6,324 |
| Interest income | 4,838 |
| TOTAL ADDITIONS | <u>11,162</u> |
| DEDUCTIONS: | |
| Instruction: | |
| Regular: | |
| Scholarship awarded | <u>10,349</u> |
| Change in net position | 813 |
| Net position beginning of year | <u>139,632</u> |
| Net position end of year | <u>\$ 140,445</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Keokuk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational education and recreational courses. The geographic area served includes the City of Keokuk, Iowa, and the predominate agricultural territory in Lee County. 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 Government Accounting Standards Board.

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/ amortization and reduced by outstanding balances for bonds, notes, and other debt attributable 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund and Debt Service accounts.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the 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 also reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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 - 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, Deferred Inflows of Resources and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents the 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 governmental 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, equipment, and intangibles 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 | \$ 3,000 |
| Buildings | 3,000 |
| Land improvements | 3,000 |
| Intangibles | 25,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 3,000 |

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

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 5 years |
| Machinery and equipment | 5-12 years |

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents 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 inflows of resources consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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; 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at amortized costs of \$3,781,461 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|--|---------------------|
| Debt Service | Capital Projects: Statewide Sales, Services and Use Tax | <u>\$ 1,207,889</u> |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bond indebtedness.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

| | <u>Balance Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance End of Year</u> |
|--|--|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 815,351 | - | - | 815,351 |
| Construction in progress | 38,552 | 40,224 | 38,551 | 40,225 |
| Total capital assets not being depreciated | <u>853,903</u> | <u>40,224</u> | <u>38,551</u> | <u>855,576</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 40,976,586 | 191,035 | - | 41,167,621 |
| Land improvements | 2,808,745 | 199,377 | - | 3,008,122 |
| Machinery and equipment | 4,785,980 | 856,343 | 102,529 | 5,539,794 |
| Total capital assets being depreciated | <u>48,571,311</u> | <u>1,246,755</u> | <u>102,529</u> | <u>49,715,537</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 10,664,763 | 800,048 | - | 11,464,811 |
| Land improvements | 1,104,856 | 130,915 | - | 1,235,771 |
| Machinery and equipment | 4,312,165 | 324,993 | 102,529 | 4,534,629 |
| Total accumulated depreciation | <u>16,081,784</u> | <u>1,255,956</u> | <u>102,529</u> | <u>17,235,211</u> |
| Total capital assets being depreciated, net | <u>32,489,527</u> | <u>(9,201)</u> | <u>-</u> | <u>32,480,326</u> |
| Governmental activities capital assets, net | <u>\$ 33,343,430</u> | <u>31,023</u> | <u>38,551</u> | <u>33,335,902</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 948,895 | - | - | 948,895 |
| Less accumulated depreciation | 650,288 | 68,813 | - | 719,101 |
| Business type activities capital assets, net | <u>\$ 298,607</u> | <u>(68,813)</u> | <u>-</u> | <u>229,794</u> |

Depreciation expense was charged by the District as follows:

| | | |
|------------------------------------|--|---------------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | | \$ 182,530 |
| Other | | 28,626 |
| Support services: | | |
| Operation and maintenance of plant | | 12,331 |
| Transportation | | 101,506 |
| | | <u>324,993</u> |
| Unallocated depreciation | | <u>930,963</u> |
| | | <u>\$ 1,255,956</u> |
| Business type activities: | | |
| Food services operations | | <u>\$ 68,813</u> |

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|----------------|------------------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 3,435,000 | - | 575,000 | 2,860,000 | 575,000 |
| Revenue bonds | 14,035,000 | - | 700,000 | 13,335,000 | 660,000 |
| Termination benefits | 718,710 | 67,842 | 289,143 | 497,409 | 345,459 |
| Compensated absences | 135,406 | 143,052 | 135,406 | 143,052 | 143,052 |
| Total | <u>\$18,324,116</u> | <u>210,894</u> | <u>1,699,549</u> | <u>16,835,461</u> | <u>1,723,511</u> |

General Obligation Bonds Payable

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond issue April 1, 2012 | | | |
|----------------------------|--------------------------|---------------------|---------------|------------------|
| | Interest Rate | Principal | Interest | Total |
| 2015 | 0.60% | \$ 575,000 | 28,540 | 603,540 |
| 2016 | 0.80 | 575,000 | 25,090 | 600,090 |
| 2017 | 1.00 | 575,000 | 20,490 | 595,490 |
| 2018 | 1.20 | 575,000 | 14,740 | 589,740 |
| 2019 | 1.40 | 560,000 | 7,840 | 567,840 |
| Total | | <u>\$ 2,860,000</u> | <u>96,700</u> | <u>2,956,700</u> |

Revenue Bonds Payable

Details of the District's June 30, 2014, statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond issue March 1, 2011 | | | |
|----------------------------|--------------------------|----------------------|------------------|-------------------|
| | Interest Rate | Principal | Interest | Total |
| 2015 | 3.50% | \$ 660,000 | 533,089 | 1,193,089 |
| 2016 | 3.50 | 625,000 | 510,601 | 1,135,601 |
| 2017 | 3.50 | 635,000 | 488,551 | 1,123,551 |
| 2018 | 4.00 | 655,000 | 464,339 | 1,119,339 |
| 2019 | 4.00 | 680,000 | 437,639 | 1,117,639 |
| 2020-2024 | 3.25-4.10 | 3,805,000 | 1,791,772 | 5,596,772 |
| 2025-2029 | 4.13-4.60 | 4,635,000 | 929,057 | 5,564,057 |
| 2030 | 4.75 | 1,640,000 | 52,844 | 1,692,844 |
| Total | | <u>\$ 13,335,000</u> | <u>5,207,892</u> | <u>18,542,892</u> |

The District has pledged future statewide sales, services and use tax revenues to repay \$14,035,000 of bonds issued in March 1, 2012. The bonds were issued for the purpose of financing future energy projects in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$18,542,892. For the current year, \$700,000 in principal and \$556,889 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,698,707.

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

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

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2013 and 2014. Employees must have completed at least twenty years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences, and be an active employee of the District.

For fiscal year 2013, the early retirement benefit for each eligible employee is equal to \$40 per unused sick days less applicable withholdings and deductions.

For fiscal year 2014, the early retirement benefit for each eligible employee is one day's pay for each 2 days of unused sick leave day and a percentage of the basic yearly salary not to exceed \$20,000 as follows:

| <u>Years of Service</u> | <u>Percentage of Salary</u> |
|-------------------------|-----------------------------|
| 13 | 18% |
| 14 | 19% |
| 15 or more | 22% |

At June 30, 2014, the District has obligations to its participants with a total liability of \$497,409. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$289,143. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 299 active and 78 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. The dental benefit is administered by the Iowa School Employees Benefits Association. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability which is associated with the Dental benefit.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|----------------------------|
| Annual required contribution | \$ 127,727 |
| Interest on net OPEB obligation | (10,558) |
| Adjustment to annual required contribution | 23,339 |
| Annual OPEB cost (expense) | <u>140,508</u> |
| Contributions made | <u>(326,802)</u> |
| Increase in net OPEB obligation | (186,294) |
| Net OPEB obligation - beginning of year | <u>(527,887)</u> |
| Net OPEB obligation - end of year | <u><u>\$ (714,181)</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2014. For the year ended June 30, 2014, the District contributed \$326,802 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, 2014 is summarized as follows:

| Year Ended June 30, | Annual OPEB cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2012 | \$ 109,992 | 321.40% | \$ (189,294) |
| 2013 | 132,310 | 355.90 | (527,887) |
| 2014 | 140,508 | 232.59 | (714,181) |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1.934 million with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.934 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$12.191 million and the ratio of the UAAL to covered payroll was 15.9%. As of June 30, 2014, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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 include a 2.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced by a percentage each year until reaching the 3% ultimate rate.

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 \$851 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claim costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,139,241, \$1,066,370 and \$993,132, respectively, equal to the required contributions for each year.

Note 8. Risk Management

Keokuk 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 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 \$838,438 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

| Project | Amount |
|---|---------------------|
| Homeschool assistance program | \$ 332,979 |
| Gifted and talented | 197,361 |
| Beginning teacher mentoring and induction program | 1,441 |
| Four year old preschool state aid | 43,222 |
| Teacher salary supplement | 79,946 |
| Beginning administrator mentoring | 500 |
| Textbook aid for non-public students | 1,130 |
| Professional development, model core curriculum | 139,859 |
| Professional development | 201,042 |
| Successful progression for early readers | 19,750 |
| Teacher leadership grants | 9,945 |
| Total | <u>\$ 1,027,175</u> |

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 12. Construction Commitment

The District had entered into contracts for improvements to the High School electrical wiring and fire protection system. At June 30, 2014 costs of \$40,225 had been incurred against these contracts. The balance remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 13. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

| | Net investment in Capital Assets | Management Levy | Debt Service | Unassigned/ Unrestricted |
|--|-------------------------------------|--------------------|------------------|-----------------------------|
| Fund balance (Exhibit C) | \$ - | 584,740 | 2,327,006 | 1,247,310 |
| Capital assets, net of accumulated depreciation | 33,335,902 | - | - | - |
| General obligation bond capitalized indebtedness | (2,860,000) | - | - | - |
| Revenue bond capitalized indebtedness | (13,335,000) | - | - | - |
| Termination benefits | - | (485,409) | - | (12,000) |
| Accrued interest payable | - | - | (373,509) | - |
| Compensated absences | - | - | - | (143,052) |
| Net OPEB asset | - | - | - | 687,399 |
| Net position (Exhibit A) | <u>\$ 17,140,902</u> | <u>99,331</u> | <u>1,953,497</u> | <u>1,779,657</u> |

Required Supplementary Information

KEOKUK COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|---------------------------------|-------------------------------|-----------------|------------------|-------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 7,812,552 | 243,205 | 8,055,757 | 9,737,373 | 9,737,373 | (1,681,616) |
| State sources | 15,205,617 | 7,623 | 15,213,240 | 13,127,383 | 13,127,383 | 2,085,857 |
| Federal sources | 1,412,936 | 696,202 | 2,109,138 | 3,835,000 | 3,835,000 | (1,725,862) |
| Total revenues | 24,431,105 | 947,030 | 25,378,135 | 26,699,756 | 26,699,756 | (1,321,621) |
| Expenditures/Expenses: | | | | | | |
| Instruction | 15,197,017 | - | 15,197,017 | 16,300,000 | 16,300,000 | 1,102,983 |
| Support services | 6,828,924 | 23,578 | 6,852,502 | 8,148,000 | 8,148,000 | 1,295,498 |
| Non-instructional programs | 2,612 | 974,386 | 976,998 | 1,250,000 | 1,250,000 | 273,002 |
| Other expenditures | 3,524,273 | - | 3,524,273 | 4,165,766 | 4,165,766 | 641,493 |
| Total expenditures/expenses | 25,552,826 | 997,964 | 26,550,790 | 29,863,766 | 29,863,766 | 3,312,976 |
| Deficiency of revenues under expenditures/expenses | (1,121,721) | (50,934) | (1,172,655) | (3,164,010) | (3,164,010) | 1,991,355 |
| Other financing sources, net | 5,442 | - | 5,442 | - | - | 5,442 |
| Deficiency of revenues and other financing sources under expenditures/expenses | (1,116,279) | (50,934) | (1,167,213) | (3,164,010) | (3,164,010) | 1,996,797 |
| Balances beginning of year | 7,690,578 | 374,747 | 8,065,325 | 6,115,970 | 6,115,970 | 1,949,355 |
| Balances end of year | \$ 6,574,299 | 323,813 | 6,898,112 | 2,951,960 | 2,951,960 | 3,946,152 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|-----------------------------|---------------------------|--------------------|---------------------|---|
| | | | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | | | |
| 2009 | July 1, 2008 | - | \$ 4,104 | \$ 4,104 | 0.0% | \$ 11,837 | 34.7% |
| 2010 | July 1, 2008 | - | 4,104 | 4,104 | 0.0% | 12,644 | 32.5% |
| 2011 | July 1, 2010 | - | 1,687 | 1,687 | 0.0% | 11,214 | 15.0% |
| 2012 | July 1, 2010 | - | 1,687 | 1,687 | 0.0% | 12,306 | 13.7% |
| 2013 | July 1, 2012 | - | 1,934 | 1,934 | 0.0% | 11,749 | 16.5% |
| 2014 | July 1, 2012 | - | 1,934 | 1,934 | 0.0% | 12,191 | 15.9% |

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

| | Special Revenue | | Total |
|---|---------------------|------------------|------------------|
| | Management Levy | Student Activity | |
| Assets | | | |
| Cash and pooled investments | \$ 568,186 | 83,986 | 652,172 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 17,054 | - | 17,054 |
| Succeeding year | 660,002 | - | 660,002 |
| Total Assets | \$ 1,245,242 | 83,986 | 1,329,228 |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 500 | 31,867 | 32,367 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 660,002 | - | 660,002 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 584,740 | - | 584,740 |
| Student activities | - | 52,119 | 52,119 |
| Total fund balances | 584,740 | 52,119 | 636,859 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,245,242 | 83,986 | 1,329,228 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

| | Special Revenue | | Total |
|------------------------------------|--------------------|---------------------|----------|
| | Management Levy | Student Activity | |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ 664,577 | - | 664,577 |
| Other | 12,757 | 271,369 | 284,126 |
| Total revenues | 677,334 | 271,369 | 948,703 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 265,300 | - | 265,300 |
| Other | - | 285,477 | 285,477 |
| Support services: | | | |
| Administration | 53,171 | - | 53,171 |
| Operation and maintenance of plant | 330,111 | - | 330,111 |
| Transportation | 36,367 | - | 36,367 |
| Total expenditures | 684,949 | 285,477 | 970,426 |
| Change in fund balances | (7,615) | (14,108) | (21,723) |
| Fund balances beginning of year | 592,355 | 66,227 | 658,582 |
| Fund balances end of year | \$ 584,740 | 52,119 | 636,859 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

| | Capital Projects | | |
|---|--|--|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 2,169,145 | 127,614 | 2,296,759 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 3,144 | 3,144 |
| Succeeding year | - | 134,420 | 134,420 |
| Accounts | 418 | - | 418 |
| Due from other governments | 338,350 | - | 338,350 |
| Total assets | \$ 2,507,913 | 265,178 | 2,773,091 |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 33,583 | - | 33,583 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | 134,420 | 134,420 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 1,269,139 | - | 1,269,139 |
| School infrastructure | 1,205,191 | - | 1,205,191 |
| Physical plant and equipment | - | 130,758 | 130,758 |
| Total fund balances | 2,474,330 | 130,758 | 2,605,088 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 2,507,913 | 265,178 | 2,773,091 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

| | Capital Projects | | |
|--|---|--|-------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ - | 134,436 | 134,436 |
| Other | 95,003 | 19 | 95,022 |
| State sources | 1,698,707 | - | 1,698,707 |
| Total revenues | 1,793,710 | 134,455 | 1,928,165 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Other | 17,939 | 51,063 | 69,002 |
| Support services: | | | |
| Adminstration | 100,290 | - | 100,290 |
| Transportation | - | 202,997 | 202,997 |
| Capital outlay | 455,827 | 366,704 | 822,531 |
| Total expenditures | 574,056 | 620,764 | 1,194,820 |
| Excess(Deficiency) of revenues over(under) expenditures | 1,219,654 | (486,309) | 733,345 |
| Other financing uses: | | | |
| Transfers out | (1,207,889) | - | (1,207,889) |
| Change in fund balances | 11,765 | (486,309) | (474,544) |
| Fund balances beginning of year | 2,462,565 | 617,067 | 3,079,632 |
| Fund balances end of year | \$ 2,474,330 | 130,758 | 2,605,088 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE ACCOUNTS
 JUNE 30, 2014

| | Debt Service | | |
|---|-------------------|------------------------|------------------|
| | Debt Service | Sales Tax Debt Service | Total |
| Assets | | | |
| Cash and pooled investments | \$ 111,180 | 932,420 | 1,043,600 |
| Receivables: | | | |
| Delinquent | 14,267 | - | 14,267 |
| Succeeding year | 605,039 | - | 605,039 |
| Total assets | \$ 730,486 | 932,420 | 1,662,906 |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | \$ - | - | - |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 605,039 | - | 605,039 |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 125,447 | 932,420 | 1,057,867 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 730,486 | 932,420 | 1,662,906 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE ACCOUNTS
 YEAR ENDED JUNE 30, 2014

| | Debt Service | | |
|--|-------------------|------------------------------|------------------|
| | Debt Service | Sales Tax Debt Service | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 610,173 | - | 610,173 |
| Other | 17 | 25 | 42 |
| Total revenues | <u>610,190</u> | <u>25</u> | <u>610,215</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support services: | | | |
| Administration | 1,500 | 3,250 | 4,750 |
| Long-term debt: | | | |
| Principal | 575,000 | 700,000 | 1,275,000 |
| Interest and fiscal charges | 31,415 | 556,889 | 588,304 |
| Total expenditures | <u>607,915</u> | <u>1,260,139</u> | <u>1,868,054</u> |
| Excess(Deficiency) of revenues over(under) expenditures | 2,275 | (1,260,114) | (1,257,839) |
| Other financing sources: | | | |
| Transfer in | - | 1,207,889 | 1,207,889 |
| Change in fund balances | 2,275 | (52,225) | (49,950) |
| Fund balances beginning of year | <u>123,172</u> | <u>984,645</u> | <u>1,107,817</u> |
| Fund balances end of year | <u>\$ 125,447</u> | <u>932,420</u> | <u>1,057,867</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------------|----------|-------------------|---------------------------|
| HS interest earned | \$ 52 | - | - | 52 |
| HS drama | 25 | 962 | 887 | 100 |
| HS speech | - | 2,957 | 2,792 | 165 |
| HS show choir | - | 2,004 | 2,004 | - |
| HS vocal music | - | 3,661 | 3,661 | - |
| HS instrument music | - | 2,896 | 2,896 | - |
| HS winterguard | - | 2,923 | 2,923 | - |
| HS athletics | - | 98 | 98 | - |
| HS tournaments | 62 | 9,836 | 9,470 | 428 |
| HS cross country | - | 620 | 620 | - |
| HS boys basketball | 4,038 | 6,863 | 10,901 | - |
| HS football | 9,289 | 17,826 | 23,115 | 4,000 |
| HS soccer | 3,092 | 1,421 | 3,526 | 987 |
| HS baseball | - | 7,273 | 6,743 | 530 |
| HS boys track | - | 2,392 | 2,392 | - |
| HS boys tennis | - | 718 | 718 | - |
| HS boys golf | - | 1,284 | 1,284 | - |
| HS wrestling | - | 6,266 | 6,266 | - |
| HS girls basketball | 2,676 | 7,466 | 8,142 | 2,000 |
| HS volleyball | 2,047 | 5,591 | 4,710 | 2,928 |
| HS girls soccer | - | 3,093 | 3,093 | - |
| HS softball | - | 6,792 | 6,560 | 232 |
| HS girls track | 200 | 853 | 1,053 | - |
| HS girls tennis | - | 758 | 758 | - |
| HS girls golf | - | 1,321 | 1,321 | - |
| HS girls swimming | - | 1,314 | 1,314 | - |
| HS yearbook | 260 | - | - | 260 |
| HS general | 1,203 | 265 | 971 | 497 |
| HS FHA | - | 6 | 6 | - |
| HS booster club | - | 10,621 | 10,621 | - |
| HS student newspaper | 559 | 200 | 540 | 219 |
| HS fallon student | 2,514 | - | 1,543 | 971 |
| HS science club | 853 | - | 603 | 250 |
| HS student council | 3,010 | 2,436 | 1,911 | 3,535 |
| HS national honor society | 121 | 2,180 | 2,110 | 191 |
| HS art club | - | 1,991 | 1,818 | 173 |
| HS spanish club | 1,370 | - | 88 | 1,282 |
| HS math club | - | 19 | - | 19 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 7

| Account | Balance End of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------|---------------------------|----------------|-------------------|---------------------------|
| HS class of 2014 | - | 973 | 973 | - |
| HS class of 2015 | - | 3,031 | 3,031 | - |
| HS class of 2016 | - | 300 | 264 | 36 |
| HS class of 2017 | - | 275 | 25 | 250 |
| HS class of 2018 | - | 250 | - | 250 |
| HS special education club | - | 500 | 321 | 179 |
| HS gay straight alliance | 250 | - | - | 250 |
| HS athletics | - | 16,007 | 16,007 | - |
| HS special athletics | 147 | - | - | 147 |
| HS weight room | - | 401 | 401 | - |
| HS student activity | 120 | 11,038 | 11,158 | - |
| HS concessions | 1,904 | 59,145 | 59,720 | 1,329 |
| HS little feather | 3,071 | 14,091 | 16,218 | 944 |
| HS cheerleaders | 2,837 | 4,570 | 5,416 | 1,991 |
| HS bowling | 485 | 432 | 382 | 535 |
| HS misc. fundraisers | - | 15,223 | 15,223 | - |
| HS learning center | 600 | 66 | - | 666 |
| MS vocal music | - | 685 | 500 | 185 |
| MS instrument music | - | 840 | 446 | 394 |
| MS cross country | - | 15 | 15 | - |
| MS boys basketball | 162 | 1,668 | 1,830 | - |
| MS football | 1,478 | 2,322 | 1,410 | 2,390 |
| MS boys track | 517 | 735 | 658 | 594 |
| MS wrestling | 228 | 595 | 494 | 329 |
| MS girls basketball | 161 | 1,656 | 1,817 | - |
| MS volleyball | 2,177 | 2,211 | 1,308 | 3,080 |
| MS girls track | 769 | 851 | 768 | 852 |
| MS yearbook | - | 2,511 | 2,346 | 165 |
| MS language arts club | 2,252 | - | - | 2,252 |
| MS science fair | - | 993 | - | 993 |
| MS science club | 1,532 | - | 1,399 | 133 |
| MS math club | 2,416 | - | 418 | 1,998 |
| MS SPED club | 2,260 | 4,043 | 2,671 | 3,632 |
| MS student athletes | 1,616 | - | 406 | 1,210 |
| MS sp athletes | 124 | - | - | 124 |
| MS student activities | 7,052 | 8,931 | 10,873 | 5,110 |
| MS pride | - | 1,000 | 811 | 189 |
| MS learn connects | 2,698 | 881 | 599 | 2,980 |
| MS interest checking | - | 111 | 111 | - |
| MS student products | - | 113 | - | 113 |
| Total | <u>\$ 66,227</u> | <u>271,369</u> | <u>285,477</u> | <u>52,119</u> |

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2014

| | Balance Beginning of Year | Revenues | Expenditures | Balance End of Year |
|--------------------------------|---------------------------------|---------------|---------------|---------------------------|
| Black Sims Award | \$ 604 | 3 | - | 607 |
| Kilborne Prize | 10,272 | 69 | 52 | 10,289 |
| William Aldrich Trust | 3,770 | 24 | - | 3,794 |
| Elizabeth Wilson Leake Award | 13,136 | 83 | 332 | 12,887 |
| Maude Marshall Hassall | 11,234 | 419 | 419 | 11,234 |
| William J. Sigmund Memorial | 8,665 | 582 | 582 | 8,665 |
| Edna Sears Trust | 7,725 | 240 | 300 | 7,665 |
| Wilber Erickson | 7,034 | 208 | 199 | 7,043 |
| Edna Meiroto | 52,686 | 7,350 | 6,440 | 53,596 |
| Min Chung | 24,506 | 860 | 701 | 24,665 |
| Mississippi Valley Scholarship | - | 324 | 324 | - |
| Cox Scholarship | - | 1,000 | 1,000 | - |
| Total | <u>\$ 139,632</u> | <u>11,162</u> | <u>10,349</u> | <u>140,445</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Modified Accrual Basis | | | | | | | | | |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Years Ended June 30, | | | | | | | | | |
| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 6,939,292 | 8,344,915 | 8,184,637 | 7,806,793 | 7,897,093 | 7,616,356 | 7,606,715 | 7,855,095 | 7,274,081 | 7,376,009 |
| Tuition | 298,054 | 215,858 | 220,103 | 213,446 | 245,289 | 259,809 | 245,438 | 198,968 | 145,239 | 104,514 |
| Other | 575,206 | 566,264 | 587,788 | 584,991 | 478,922 | 676,673 | 969,653 | 1,054,607 | 812,557 | 665,075 |
| Intermediate sources | - | - | - | - | - | - | 178,312 | 210,708 | 237,966 | 248,905 |
| State sources | 15,205,617 | 12,570,466 | 12,391,925 | 12,786,294 | 11,894,011 | 13,491,287 | 13,397,397 | 12,272,932 | 11,526,565 | 10,542,467 |
| Federal sources | 1,412,936 | 1,713,574 | 2,407,985 | 3,283,591 | 3,164,595 | 1,634,007 | 1,250,991 | 1,746,675 | 1,981,714 | 3,155,731 |
| Total | \$ 24,431,105 | 23,411,077 | 23,792,438 | 24,675,115 | 23,679,910 | 23,678,132 | 23,648,506 | 23,338,985 | 21,978,122 | 22,092,701 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 8,738,871 | 9,165,549 | 8,595,597 | 8,579,351 | 8,880,479 | 9,280,408 | 8,464,617 | 7,943,690 | 7,535,015 | 7,564,211 |
| Special | 4,104,303 | 3,692,260 | 3,576,885 | 3,515,554 | 3,357,577 | 3,399,390 | 3,522,222 | 3,100,955 | 2,937,092 | 2,551,755 |
| Other | 2,353,843 | 2,447,301 | 2,277,468 | 2,769,315 | 2,676,714 | 2,282,900 | 2,205,656 | 2,079,130 | 1,927,481 | 2,020,546 |
| Support services: | | | | | | | | | | |
| Student | 960,429 | 851,818 | 1,056,205 | 941,225 | 1,202,507 | 764,108 | 775,847 | 657,577 | 743,239 | 697,915 |
| Instructional staff | 557,038 | 506,334 | 535,395 | 607,845 | 563,412 | 549,095 | 496,602 | 517,981 | 522,756 | 420,808 |
| Administration | 2,465,853 | 2,346,800 | 2,277,609 | 2,315,953 | 2,442,702 | 2,406,456 | 2,243,438 | 2,230,343 | 2,140,048 | 1,947,395 |
| Operation and maintenance of plant | 2,101,859 | 2,026,538 | 1,877,404 | 1,752,493 | 1,949,854 | 1,816,588 | 1,860,690 | 1,799,722 | 1,889,550 | 1,814,974 |
| Transportation | 743,745 | 529,496 | 581,880 | 571,078 | 600,320 | 580,801 | 528,970 | 586,770 | 598,932 | 419,753 |
| Non-instructional programs | 2,612 | 12,439 | 10,797 | 505 | 185,731 | 254,758 | 445,944 | 541,631 | 695,083 | 916,281 |
| Capital outlay | 822,531 | 3,664,972 | 11,462,068 | 940,130 | 782,474 | 1,176,936 | 114,951 | 498,588 | 293,180 | 2,028,641 |
| Long term debt: | | | | | | | | | | |
| Principal | 1,275,000 | 555,000 | 4,425,000 | 475,000 | 559,307 | 1,021,089 | 1,267,430 | 4,059,453 | 1,135,000 | 1,095,000 |
| Interest and fiscal charges | 588,304 | 608,380 | 641,132 | 182,355 | 198,084 | 223,437 | 269,379 | 430,057 | 441,233 | 487,442 |
| Other expenditures: | | | | | | | | | | |
| AEA flow-through | 838,438 | 806,756 | 809,064 | 901,008 | 902,280 | 831,724 | 787,957 | 760,033 | 722,398 | 660,304 |
| Total | \$ 25,552,826 | 27,213,643 | 38,126,504 | 23,551,812 | 24,301,441 | 24,587,690 | 22,983,703 | 25,205,930 | 21,581,007 | 22,625,025 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 14 | \$ 76,054 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 14 | 570,603 * |
| SUMMER FOOD SERVICE PROGRAM FOR CHILDREN | 10.559 | FY 14 | 3,645 |
| | | | <u>650,302</u> |
| FRESH FRUIT AND VEGETABLE PROGRAM | 10.582 | FY 14 | 45,900 |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I PART A CLUSTER: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 3312-G | 629,114 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES(CARRYOVER) | 84.010 | FY 14 | 1,848 |
| | | | <u>630,962</u> |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 14 | 25,981 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS | 84.184 | FY 13 | 21,561 |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS | 84.184 | FY 14 | 25,398 |
| | | | <u>46,959</u> |
| RURAL EDUCATION ACHIEVEMENT PROGRAM | 84.358 | FY 14 | 2,600 |
| GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS | 84.334 | FY 14 | 4,372 |
| IMPROVING TEACHER QAULITY STATE GRANTS | 84.367 | FY 14 | 128,885 |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA) | 84.369 | FY 14 | 10,434 |
| COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS(AIDS EDUCATION) | 93.938 | FY 14 | 339 |
| AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES | 84.027 | FY 14 | 102,701 |
| SPECIAL EDUCATION - GRANTS TO STATES(IDEA - LEARNING SUPPORTS) | 84.391 | FY 14 | 1,000 |
| | | | <u>103,701</u> |
| TOTAL | | | <u>\$ 1,650,435</u> |

* - Includes \$69,417 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Keokuk 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 Keokuk Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Keokuk Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 and II-B-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keokuk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keokuk Community School District's Responses to Findings

Keokuk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Keokuk 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 controls 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 Keokuk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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Telephone (641) 792-1910

Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of Keokuk Community School District:

Report on Compliance for Each Major Federal Program

We have audited Keokuk Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Keokuk Community School District's major federal programs for the year ended June 30, 2014. Keokuk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Keokuk Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Keokuk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Keokuk Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Keokuk Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Keokuk Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Keokuk Community School

District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Keokuk Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

Keokuk Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Keokuk Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2015
Newton, Iowa

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Supporting Documents for Credit Card Payments - We noted during our audit that the District made a payment on the District's Visa credit card for \$300, but did not have a supporting invoice or any other documentation to support the payment.

Recommendation - The District should review its procedures to ensure that all payments have supporting documentation to support the purchase and payment.

Response - We will implement procedures to ensure that all items charged on the District credit cards have the proper documentation.

Conclusion - Response accepted.

II-B-14 Bearer Paper - We noted during our audit that the District writes checks to cash for startup money to be used for District events. However, these checks were made payable to the bank only. Checks made payable to the bank are considered bearer paper and if lost or stolen, can be cashed by anyone who holds the check.

Recommendation - Checks that are written for cash should be made payable to the custodian taking the check to the bank.

Response - We will change our procedures to have the startup cash written to the custodian taking the check to the bank.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amounts budgeted.

IV-B-14 Questionable Disbursements - We noted during our audit that iTunes gift cards were purchased from the Student Activity Fund to be given out as PBIS program. Cash or gift cards given to students for these purposes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - We will communicate changes to the District policies to ensure that cash and/or gift card purchases are not allowed.

Conclusion - Response accepted.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Iowa Department of Education was overstated by 2.5 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments - 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 were noted

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | |
|------------------------------------|--------------|---------------------|
| Beginning balance | | \$ 2,462,565 |
| Revenues: | | |
| Sales tax revenues | \$ 1,698,707 | |
| Other local revenues | 95,003 | 1,793,710 |
| | | <u>4,256,275</u> |
| Expenditures/transfers out: | | |
| School infrastructure construction | 402,050 | |
| Equipment | 122,463 | |
| Other | 49,543 | |
| Transfers to other funds: | | |
| Debt service fund | 1,207,889 | 1,781,945 |
| | | <u>1,781,945</u> |
| Ending balance | | <u>\$ 2,474,330</u> |

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.