

KEOTA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014

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**Keota Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before October 2013 Election)</b>		
Jared Lyle	President (Resigned July 2013)	2015
Lindsay Greiner	Vice President (Appointed President August 2013)	2013
Scott Flynn	Board Member (Appointed Vice President August 2013)	2015
Lisa White	Board Member	2015
Derek Greiner	Board Member	2013
<b>(After October 2013 Election)</b>		
Scott Flynn	President	2015
Lisa White	Vice President	2015
Pat Hammen	Board Member	2017
Naomi Gretter	Board Member	2017
Billie Kindred	Board Member	2015
<b>School Officials</b>		
Mark Schneider	Superintendent	2014
Cherie Westendorf	Business Manager/Board Secretary	2014
Joe Holland	Attorney	2014

*Keota Community School District*

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Keota Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District, Keota, Iowa, as of and for the year ended June 30, 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, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of 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, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keota Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2015 on our consideration of Keota Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keota Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015  
Newton, Iowa

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

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Keota Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$3,640,745 in fiscal year 2013 to \$3,839,036 in fiscal year 2014, while General Fund expenditures increased from \$3,727,681 in fiscal year 2013 to \$3,845,523 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$1,005,562 at June 30, 2013 to \$999,075 at June 30, 2014, a 0.65% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state revenues as compared to the prior year. The increase in expenditures was due in part to increased spending in the administrative support services functional area.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Keota Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

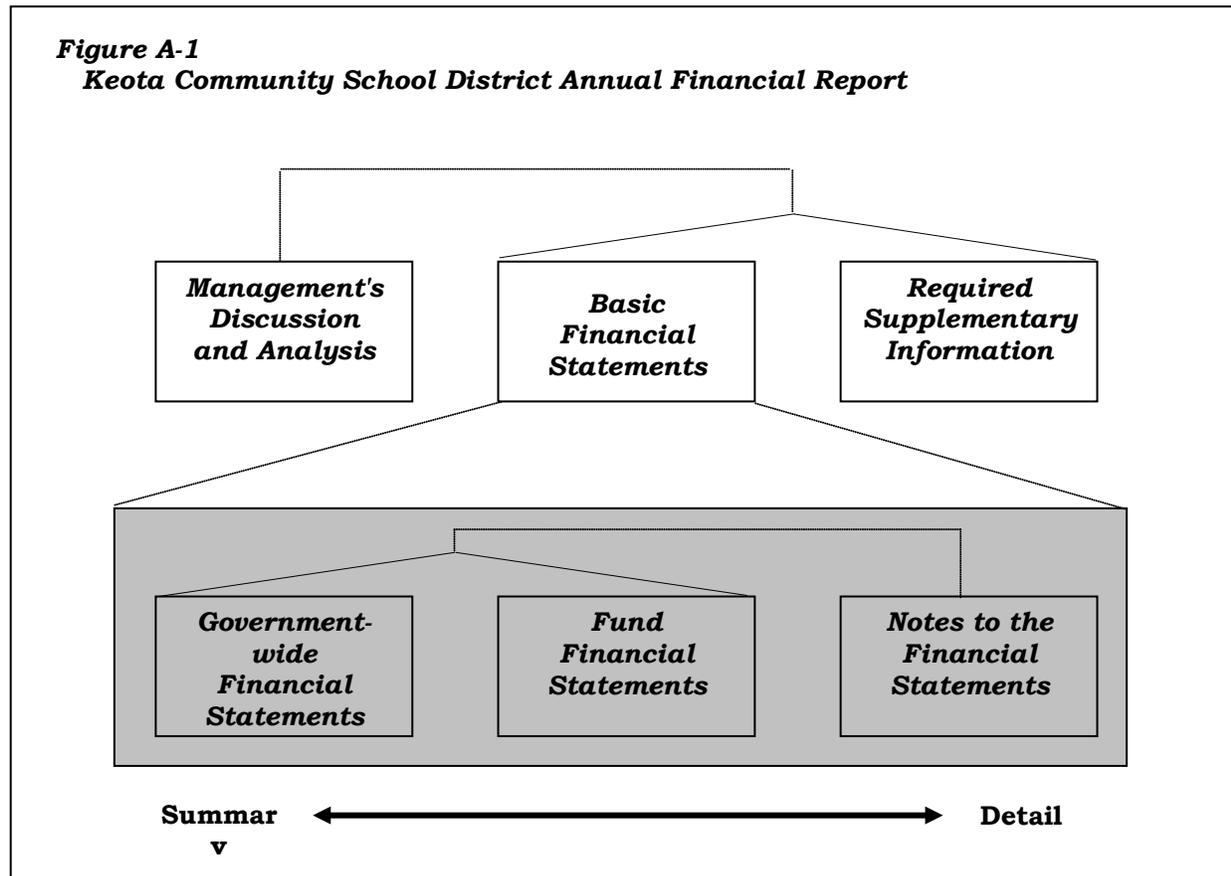


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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.

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

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

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

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

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

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

Reconciliations between the government-wide financial statements and the 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		Business Type		Total		Total	Change
	Activities		Activities		District			
	June 30,		June 30,		June 30,			
	2014	2013	2014	2013	2014	2013	2013-14	
Current and other assets	\$ 4,301,790	4,514,129	3,803	8,752	4,305,593	4,522,881		-4.80%
Capital assets	3,456,706	2,867,623	18,442	26,494	3,475,148	2,894,117		20.08%
Total assets	<u>7,758,496</u>	<u>7,381,752</u>	<u>22,245</u>	<u>35,246</u>	<u>7,780,741</u>	<u>7,416,998</u>		<u>4.90%</u>
Long-term liabilities	1,339,636	1,307,358	-	-	1,339,636	1,307,358		2.47%
Other liabilities	639,805	608,685	14,694	14,307	654,499	622,992		5.06%
Total liabilities	<u>1,979,441</u>	<u>1,916,043</u>	<u>14,694</u>	<u>14,307</u>	<u>1,994,135</u>	<u>1,930,350</u>		<u>3.30%</u>
Deferred inflows of resources	<u>1,859,312</u>	<u>1,832,763</u>	<u>-</u>	<u>-</u>	<u>1,859,312</u>	<u>1,832,763</u>		<u>1.45%</u>
Net position:								
Net investment in								
capital assets	2,117,070	1,560,265	18,442	26,494	2,135,512	1,586,759		34.58%
Restricted	864,518	956,212	-	-	864,518	956,212		-9.59%
Unrestricted	938,155	1,116,469	(10,891)	(5,555)	927,264	1,110,914		-16.53%
Total net position	<u>\$ 3,919,743</u>	<u>3,632,946</u>	<u>7,551</u>	<u>20,939</u>	<u>3,927,294</u>	<u>3,653,885</u>		<u>7.48%</u>

The District's combined net position increased by 7.48%, or \$273,409 compared to the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$91,694, or 9.59% from the prior year. The majority of the decrease in restricted net position was due to the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$183,650, or 16.53%. The decrease in unrestricted net position can be attributed to the decrease in the unassigned General Fund balance during the year.

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
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 291,834	296,245	95,170	84,983	387,004	381,228	1.52%
Operating grants, contributions and restricted interest	375,215	354,989	64,731	71,778	439,946	426,767	3.09%
Capital grants, contributions and restricted interest	53,062	4,800	-	-	53,062	4,800	1005.46%
General revenues:							
Property tax	1,817,631	2,041,803	-	-	1,817,631	2,041,803	-10.98%
Income surtax	64,387	163,223	-	-	64,387	163,223	-60.55%
Statewide sales, services and use tax	298,818	274,259	-	-	298,818	274,259	8.95%
Unrestricted state grants	1,491,143	1,391,075	-	-	1,491,143	1,391,075	7.19%
Unrestricted investment earnings	9,807	12,576	152	132	9,959	12,708	-21.63%
Other	123,180	10,854	2,387	1,412	125,567	12,266	923.70%
Total revenues	<u>4,525,077</u>	<u>4,549,824</u>	<u>162,440</u>	<u>158,305</u>	<u>4,687,517</u>	<u>4,708,129</u>	<u>-0.44%</u>
Governmental activities:							
Instructional	2,776,773	2,813,240	-	-	2,776,773	2,813,240	-1.30%
Support services	1,181,055	1,104,775	109	270	1,181,164	1,105,045	6.89%
Non-instructional programs	-	3,000	176,727	167,762	176,727	170,762	3.49%
Other expenses	279,444	268,360	-	-	279,444	268,360	4.13%
Total expenses	<u>4,237,272</u>	<u>4,189,375</u>	<u>176,836</u>	<u>168,032</u>	<u>4,414,108</u>	<u>4,357,407</u>	<u>1.30%</u>
Excess(Deficiency) of revenues over(under) expenditures	287,805	360,449	(14,396)	(9,727)	273,409	350,722	-22.04%
Transfers	(1,008)	-	1,008	-	-	-	0.00%
Change in net position	286,797	360,449	(13,388)	(9,727)	273,409	350,722	-22.04%
Net position beginning of year	<u>3,632,946</u>	<u>3,272,497</u>	<u>20,939</u>	<u>30,666</u>	<u>3,653,885</u>	<u>3,303,163</u>	<u>10.62%</u>
Net position end of year	<u>\$ 3,919,743</u>	<u>3,632,946</u>	<u>7,551</u>	<u>20,939</u>	<u>3,927,294</u>	<u>3,653,885</u>	<u>7.48%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 73.12% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 98.44% of the revenue from business type activities.

The District's total revenues were approximately \$4.69 million, of which approximately \$4.53 million was for governmental activities and approximately \$0.16 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.44% in revenues and a 1.30% increase in expenses. Unrestricted state grants increased approximately \$100,068 to help fund the increase in expenses. The increase in expenses is related to increases in the support services functional area.

### Governmental Activities

Revenues for governmental activities were \$4,525,077 and expenses were \$4,237,272 for the year ended June 30, 2014.

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	\$ 2,776,773	2,813,240	-1.30%	2,242,029	2,282,636	-1.78%
Support services	1,181,055	1,104,775	6.90%	1,127,993	1,099,975	2.55%
Non-instructional programs	-	3,000	-100.00%	-	3,000	-100.00%
Other expenses	279,444	268,360	4.13%	147,139	147,730	-0.40%
Totals	\$ 4,237,272	4,189,375	1.14%	3,517,161	3,533,341	-0.46%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$291,834.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$428,277.
- The net cost of governmental activities was financed with \$1,817,631 in property tax, \$64,387 in income surtax, \$298,818 in statewide sales, services and use tax, \$1,491,143 in unrestricted state grants, \$9,807 in interest income and \$123,180 in other revenues.

### Business Type Activities

Revenues of the District's business type activities were \$162,440 representing a 2.61% increase from the prior year, while expenses totaled \$176,836, a 5.24% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,794,468, compared to last year's ending fund balances of \$1,925,905. The primary reason for the decrease in combined fund balances during fiscal year 2014 can be attributed to the decrease in fund balance of the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

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## **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,005,562 at June 30, 2013 to \$999,075 at June 30, 2014. Despite an increase in revenues as compared to the prior year, expenditures outpaced revenues causing the 0.65% decrease in fund balance during the year. The largest increase of revenues was revenues from state sources.
- The Capital Projects Fund balance decreased from \$732,744 at June 30, 2013 to \$584,946 at June 30, 2014. The decrease in the Capital Projects Fund balance was due to increased transportation and capital outlay expenditures during the year.
- The Debt Service fund balance increased from \$11,196 at June 30, 2013 to \$12,708 at June 30, 2014, an increase of 13.50%

## **Proprietary Fund Highlights**

The Proprietary Fund net position decreased from \$20,939 at June 30, 2013 to \$7,551 at June 30, 2014. Despite an increase in revenues from lunch sales and federal grants, increased operating expenses resulted in a 63.94% decrease in net position during the year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District amended its budget one time to reflect additional revenues and expenditures associated with the energy efficiency and building improvement projects started during the year.

The District's revenues were \$185,476 more than budgeted revenues, a variance of 4.00%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas, as well as in total.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$3,475,148, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 20.08% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$175,609.

The original cost of the District's capital assets was \$6,564,438. Governmental funds account for \$6,492,875 with the remainder of \$71,563 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress increased from \$0 at June 30, 2013 to \$220,667 at June 30, 2014, as the result of the energy efficiency and building improvements projects started during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 12,310	12,310	-	-	12,310	12,310	0.00%
Construction in progress	220,667	-	-	-	220,667	-	100.00%
Buildings	2,852,523	2,761,706	-	-	2,852,523	2,761,706	3.29%
Land improvements	8,336	-	-	-	8,336	-	100.00%
Machinery and equipment	362,870	93,607	18,442	26,494	381,312	120,101	217.49%
Total	<u>\$ 3,456,706</u>	<u>2,867,623</u>	<u>18,442</u>	<u>26,494</u>	<u>3,475,148</u>	<u>2,894,117</u>	<u>20.08%</u>

### Long-Term Debt

At June 30, 2014, the District had \$1,339,636 in general obligation and other long-term debt outstanding. This represents an increase of 2.47% from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds payable of \$1,035,000 at June 30, 2014.

The District had a bus loan payable of \$304,636 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 1,035,000	1,275,000	-18.82%
Capital loan note	-	32,358	-100.00%
Bus loan	304,636	-	100.00%
Total	<u>\$ 1,339,636</u>	<u>1,307,358</u>	<u>2.47%</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:

- Almost 50% of the classes taught by Keota High School Teachers have 5 or less students in them. While these classes are required by the State of Iowa to maintain state accreditation, the low class numbers require the school district to operate inefficiently.
- The District's open enrollment out continues to increase each year.
- Shared positions with Mid-Prairie including Superintendent, Human Resource Coordinator, Teacher-Librarian, and Technology Director allow for cost savings to the District.
- Allowable growth is not keeping up with the increased cost of living.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherie Westendorf, District Board Secretary, Keota Community School District, P.O. Box 88, Keota, Iowa, 52248.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,230,762	2,334	2,233,096
Receivables:			
Property tax:			
Delinquent	18,995	-	18,995
Succeeding year	1,859,312	-	1,859,312
Income surtax	16,961	-	16,961
Due from other governments	174,465	-	174,465
Inventories	-	1,345	1,345
Capital assets, net of accumulated depreciation	3,456,706	18,442	3,475,148
Net OPEB asset	1,295	124	1,419
<b>Total assets</b>	<b>7,758,496</b>	<b>22,245</b>	<b>7,780,741</b>
<b>Liabilities</b>			
Accounts payable	268,033	-	268,033
Salaries and benefits payable	361,551	12,177	373,728
Advances from grantors	170	-	170
Interest payable	10,051	-	10,051
Unearned revenue	-	2,517	2,517
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Bus loan payable	61,604	-	61,604
Portion due after one year:			
General obligation bonds payable	790,000	-	790,000
Bus loan payable	243,032	-	243,032
<b>Total liabilities</b>	<b>1,979,441</b>	<b>14,694</b>	<b>1,994,135</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	1,859,312	-	1,859,312
<b>Net Position</b>			
Net investment in capital assets	2,117,070	18,442	2,135,512
Restricted for:			
Categorical funding	79,176	-	79,176
School infrastructure	571,020	-	571,020
Physical plant and equipment levy	13,926	-	13,926
Debt service	2,657	-	2,657
Management levy purposes	149,065	-	149,065
Student activities	48,674	-	48,674
Unrestricted	938,155	(10,891)	927,264
<b>Total net position</b>	<b>\$ 3,919,743</b>	<b>7,551</b>	<b>3,927,294</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,783,506	132,329	96,824	-	(1,554,353)	-	(1,554,353)
Special	537,006	-	15,522	-	(521,484)	-	(521,484)
Other	456,261	159,505	130,564	-	(166,192)	-	(166,192)
	<u>2,776,773</u>	<u>291,834</u>	<u>242,910</u>	<u>-</u>	<u>(2,242,029)</u>	<u>-</u>	<u>(2,242,029)</u>
Support services:							
Student	18,568	-	-	-	(18,568)	-	(18,568)
Instructional staff	160,374	-	-	-	(160,374)	-	(160,374)
Administration	457,127	-	-	-	(457,127)	-	(457,127)
Operation and maintenance of plant	403,068	-	-	53,062	(350,006)	-	(350,006)
Transportation	141,918	-	-	-	(141,918)	-	(141,918)
	<u>1,181,055</u>	<u>-</u>	<u>-</u>	<u>53,062</u>	<u>(1,127,993)</u>	<u>-</u>	<u>(1,127,993)</u>
Long-term debt interest	48,589	-	-	-	(48,589)	-	(48,589)
Other expenses:							
AEA flowthrough	132,305	-	132,305	-	-	-	-
Depreciation(unallocated)*	98,550	-	-	-	(98,550)	-	(98,550)
	<u>230,855</u>	<u>-</u>	<u>132,305</u>	<u>-</u>	<u>(98,550)</u>	<u>-</u>	<u>(98,550)</u>
Total governmental activities	<u>4,237,272</u>	<u>291,834</u>	<u>375,215</u>	<u>53,062</u>	<u>(3,517,161)</u>	<u>-</u>	<u>(3,517,161)</u>
Business type activities:							
Support service:							
Operation and maintenance of plant	109	-	-	-	-	(109)	(109)
Non-instructional programs:							
Food service operations	176,727	95,170	64,731	-	-	(16,826)	(16,826)
Total business type activities	<u>176,836</u>	<u>95,170</u>	<u>64,731</u>	<u>-</u>	<u>-</u>	<u>(16,935)</u>	<u>(16,935)</u>
Total	<u>\$ 4,414,108</u>	<u>387,004</u>	<u>439,946</u>	<u>53,062</u>	<u>(3,517,161)</u>	<u>(16,935)</u>	<u>(3,534,096)</u>
<b>General Revenues and Transfers:</b>							
Property tax levied for:							
General purposes				\$ 1,479,141	-		1,479,141
Debt service				287,159	-		287,159
Capital outlay				51,331	-		51,331
Income surtax				64,387	-		64,387
Statewide sales, services and use tax				298,818	-		298,818
Unrestricted state grants				1,491,143	-		1,491,143
Unrestricted investment earnings				9,807	152		9,959
Other general revenues				123,180	2,387		125,567
Transfers				(1,008)	1,008		-
Total general revenues and transfers				<u>3,803,958</u>	<u>3,547</u>		<u>3,807,505</u>
Change in net position				286,797	(13,388)		273,409
Net position beginning of year				<u>3,632,946</u>	<u>20,939</u>		<u>3,653,885</u>
Net position end of year				<u>\$ 3,919,743</u>	<u>7,551</u>		<u>3,927,294</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,400,184	621,403	9,707	199,468	2,230,762
Receivables:					
Property tax:					
Delinquent	14,621	536	3,001	837	18,995
Succeeding year	1,445,520	51,345	282,447	80,000	1,859,312
Income surtax	16,961	-	-	-	16,961
Due from other governments	25,176	149,289	-	-	174,465
<b>Total assets</b>	<b>\$ 2,902,462</b>	<b>822,573</b>	<b>295,155</b>	<b>280,305</b>	<b>4,300,495</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 79,185	186,282	-	2,566	268,033
Salaries and benefits payable	361,551	-	-	-	361,551
Advances from grantors	170	-	-	-	170
<b>Total liabilities</b>	<b>440,906</b>	<b>186,282</b>	<b>-</b>	<b>2,566</b>	<b>629,754</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,445,520	51,345	282,447	80,000	1,859,312
Income surtax	16,961	-	-	-	16,961
<b>Total deferred inflows of resources</b>	<b>1,462,481</b>	<b>51,345</b>	<b>282,447</b>	<b>80,000</b>	<b>1,876,273</b>
Fund balances:					
Restricted for:					
Categorical funding	79,176	-	-	-	79,176
School infrastructure	-	571,020	-	-	571,020
Physical plant and equipment	-	13,926	-	-	13,926
Debt service	-	-	12,708	-	12,708
Management levy purposes	-	-	-	149,065	149,065
Student activities	-	-	-	48,674	48,674
Unassigned	919,899	-	-	-	919,899
<b>Total fund balances</b>	<b>999,075</b>	<b>584,946</b>	<b>12,708</b>	<b>197,739</b>	<b>1,794,468</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,902,462</b>	<b>822,573</b>	<b>295,155</b>	<b>280,305</b>	<b>4,300,495</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,794,468
 <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.		3,456,706
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		16,961
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(10,051)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		1,295
Long-term liabilities, including general obligation bonds payable and bus loan payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,339,636)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>3,919,743</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,601,399	51,331	287,159	80,115	2,020,004
Tuition	99,187	-	-	-	99,187
Other	286,949	5,000	-	150,161	442,110
State sources	1,705,332	298,818	-	-	2,004,150
Federal sources	97,612	-	-	-	97,612
Total revenues	<u>3,790,479</u>	<u>355,149</u>	<u>287,159</u>	<u>230,276</u>	<u>4,663,063</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,808,675	6,904	-	-	1,815,579
Special	545,876	-	-	-	545,876
Other	308,578	-	-	155,046	463,624
	<u>2,663,129</u>	<u>6,904</u>	<u>-</u>	<u>155,046</u>	<u>2,825,079</u>
Support services:					
Student	18,864	-	-	-	18,864
Instructional staff	154,560	8,280	-	-	162,840
Administration	449,715	920	-	26,965	477,600
Operation and maintenance of plant	299,315	85,697	-	19,253	404,265
Transportation	127,635	320,292	-	7,676	455,603
	<u>1,050,089</u>	<u>415,189</u>	<u>-</u>	<u>53,894</u>	<u>1,519,172</u>
Capital outlay	-	355,193	-	-	355,193
Long-term debt:					
Principal	-	-	282,722	-	282,722
Interest and fiscal charges	-	-	46,942	-	46,942
	<u>-</u>	<u>-</u>	<u>329,664</u>	<u>-</u>	<u>329,664</u>
Other expenditures:					
AEA flowthrough	132,305	-	-	-	132,305
Total expenditures	<u>3,845,523</u>	<u>777,286</u>	<u>329,664</u>	<u>208,940</u>	<u>5,161,413</u>
Excess(Deficiency) of revenues over(under) expenditures	(55,044)	(422,137)	(42,505)	21,336	(498,350)
Other financing sources(uses):					
Transfer in	-	-	44,017	-	44,017
Transfer out	-	(44,017)	-	-	(44,017)
Bus loan proceeds	-	315,000	-	-	315,000
Insurance proceeds	48,557	3,356	-	-	51,913
Total other financing sources(uses)	<u>48,557</u>	<u>274,339</u>	<u>44,017</u>	<u>-</u>	<u>366,913</u>
Change in fund balances	(6,487)	(147,798)	1,512	21,336	(131,437)
Fund balances beginning of year	<u>1,005,562</u>	<u>732,744</u>	<u>11,196</u>	<u>176,403</u>	<u>1,925,905</u>
Fund balances end of year	<u>\$ 999,075</u>	<u>584,946</u>	<u>12,708</u>	<u>197,739</u>	<u>1,794,468</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 22)** \$ (131,437)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Expenditures for capital outlays, depreciation expense and loss on disposal of assets for the year is as follows:

Capital outlays	\$ 814,762	
Depreciation expense	(166,882)	
Loss on disposal of assets	<u>(58,797)</u>	589,083

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (137,986)

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

Issued	(315,000)	
Repaid	<u>282,722</u>	(32,278)

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,647)

Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds. 1,062

**Change in net position of governmental activities(page 19)** \$ 286,797

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 2,334
Inventories	1,345
<b>Total current assets</b>	<b>3,679</b>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	18,442
Net OPEB asset	124
<b>Total noncurrent assets</b>	<b>18,566</b>
<b>Total assets</b>	<b>22,245</b>
<b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	12,177
Unearned revenue	2,517
<b>Total liabilities</b>	<b>14,694</b>
<b>Net Position</b>	
Net investment in capital assets	18,442
Unrestricted	(10,891)
<b>Total net position</b>	<b>\$ 7,551</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 95,170
Miscellaneous	2,387
Total operating revenues	97,557
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	109
Non-instructional programs:	
Food service operations:	
Salaries	50,737
Benefits	28,093
Supplies	88,670
Other	167
Depreciation	8,727
Total operating expenses	176,394
Total operating expenses	176,503
Operating loss	(78,946)
Non-operating revenues(expenses):	
Loss on asset disposal	(333)
State sources	1,387
Federal sources	63,344
Interest on investments	152
Total non-operating revenues(expenses)	64,550
Change in net position before capital contributions	(14,396)
Capital contributions	1,008
Change in net position	(13,388)
Net position beginning of year	20,939
Net position end of year	\$ 7,551

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 95,404
Cash received from miscellaneous	2,387
Cash payments to employees for services	(78,779)
Cash payments to suppliers for goods or services	(83,323)
Net cash used in operating activities	(64,311)
Cash flows from non-capital financing activities:	
State grants received	1,387
Federal grants received	58,127
Net cash provided by non-capital financing activities	59,514
Cash flows from investing activities:	
Interest on investments	152
Net decrease in cash and cash equivalents	(4,645)
Cash and cash equivalents at beginning of year	6,979
Cash and cash equivalents at end of year	\$ 2,334
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (78,946)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,217
Depreciation	8,727
Decrease in inventories	406
Increase in salaries and benefits payable	153
Increase in unearned revenue	234
Decrease in other postemployment benefits	(102)
Net cash used in operating activities	\$ (64,311)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received Federal commodities valued at \$5,217.

During the year ended June 30, 2014, the District received \$1,008 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and 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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two 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 is offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

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

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

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

The District reports the following nonmajor proprietary fund:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities, 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 balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	2,500
Buildings	5,000
Land improvements	5,000
Intangibles	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditure functional areas, as well as in total.

**Note 2. Cash and Pooled Investments**

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2014 the District had no investments.

**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	\$ 10,364
Debt Service	Capital Projects: Physical Plant and Equipment Levy	33,653
Total		<u>\$ 44,017</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay principal on the District's bus loan.

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

**Note 4. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 12,310	-	-	12,310
Construction in progress	-	220,667	-	220,667
Total capital assets not being depreciated	<u>12,310</u>	<u>220,667</u>	<u>-</u>	<u>232,977</u>
Capital assets being depreciated:				
Buildings	5,244,863	188,928	-	5,433,791
Land improvements	-	8,775	-	8,775
Machinery and equipment	700,842	396,392	279,902	817,332
Total capital assets being depreciated	<u>5,945,705</u>	<u>594,095</u>	<u>279,902</u>	<u>6,259,898</u>
Less accumulated depreciation for:				
Buildings	2,483,157	98,111	-	2,581,268
Land improvements	-	439	-	439
Machinery and equipment	607,235	68,332	221,105	454,462
Total accumulated depreciation	<u>3,090,392</u>	<u>166,882</u>	<u>221,105</u>	<u>3,036,169</u>
Total capital assets being depreciated, net	<u>2,855,313</u>	<u>427,213</u>	<u>58,797</u>	<u>3,223,729</u>
Governmental activities capital assets, net	<u>\$ 2,867,623</u>	<u>647,880</u>	<u>58,797</u>	<u>3,456,706</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 71,555	1,008	1,000	71,563
Less accumulated depreciation	45,061	8,727	667	53,121
Business type activities capital assets, net	<u>\$ 26,494</u>	<u>(7,719)</u>	<u>333</u>	<u>18,442</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction	
Regular	\$ 1,491
Support services:	
Administration	2,132
Operation and maintenance of plant	6,327
Transportation	<u>58,382</u>
	68,332
Unallocated depreciation	<u>98,550</u>
Total governmental activities depreciation expense	<u>\$ 166,882</u>
Business type activities:	
Food service operations	<u>\$ 8,727</u>

## **Note 5. Long-Term Liabilities**

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	\$ 1,275,000	-	240,000	1,035,000	245,000
Bus loan	-	315,000	10,364	304,636	61,604
Capital loan note	32,358	-	32,358	-	-
Total	<u>\$ 1,307,358</u>	<u>315,000</u>	<u>282,722</u>	<u>1,339,636</u>	<u>306,604</u>

### **General Obligation Bonds**

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond dated April 28, 2008			
	Interest Rates	Principal	Interest	Total
2015	3.40%	\$ 245,000	37,447	282,447
2016	3.60	250,000	29,118	279,118
2017	3.70	265,000	20,117	285,117
2018	3.75	275,000	10,313	285,313
Total		<u>\$ 1,035,000</u>	<u>96,995</u>	<u>1,131,995</u>

### **Bus Lease**

Details of the District's June 30, 2014 bus lease indebtedness, which is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Bus Loan dated February 21, 2014			
	Interest Rates	Principal	Interest	Total
2015	3.50%	\$ 61,604	7,442	69,046
2016	3.50	60,540	8,506	69,046
2017	3.50	62,642	6,405	69,047
2018	3.50	64,852	4,195	69,047
2019	3.50	54,998	1,925	56,923
Total		<u>\$ 304,636</u>	<u>28,473</u>	<u>333,109</u>

## **Note 6. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$168,212, \$150,559, and \$139,238, respectively, equal to the required contributions for each year.

**Note 7. Other Postemployment Benefits**

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

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

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

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

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

Annual required contribution	\$ 12,916
Interest on net OPEB obligation	(3)
Adjustment to annual required contribution	10
Annual OPEB cost	<u>12,923</u>
Contribution made	<u>(14,087)</u>
Increase in net OPEB obligation	(1,164)
Net OPEB obligation beginning of year	<u>(255)</u>
Net OPEB obligation end of year	<u><u>\$ (1,419)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$14,087 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 9,552	87.5%	\$ 6,811
2013	12,721	155.5%	(255)
2014	12,923	109.0%	(1,419)

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 \$138,512, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$138,512. The covered payroll (annual payroll of active employees covered by the plan) was \$923,598 and the ratio of the UAAL to covered payroll was 15.00%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

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

#### **Note 9. Risk Management**

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEIHC for the year ended June 30, 2014 were \$301,282.

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

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

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

**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 \$132,305 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 fund balance for categorical funding June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Homeschool assistance program	\$ 11,589
Gifted and talented programs	6,730
Beginning teacher mentoring and induction	968
Professional development for model core curriculum	22,523
Educator quality, Professional development	19,829
Market factor incentives	858
Successful progression for early readers	14,431
Teacher leadership grants	2,248
Total	<u>\$ 79,176</u>

**Note 11. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditure functional areas, as well as in total.

**Note 12. Deficit Unrestricted Net Position**

The District had a deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$10,891 at June 30, 2014.

**Note 13. Detailed Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
<b>Fund Balance (Exhibit C)</b>	\$ -	12,708	919,899
Capital assets, net of accumulated depreciation	3,456,706	-	-
General obligation bond proceeds expended for capital assets	(1,035,000)	-	-
Bus loan payable	(304,636)	-	-
Accrued interest payable	-	(10,051)	-
Net OPEB asset	-	-	1,295
Income surtax	-	-	16,961
<b>Net position(Exhibit A)</b>	<u>\$ 2,117,070</u>	<u>2,657</u>	<u>938,155</u>

**Note 14. Construction Commitment**

The District has entered into contracts totaling \$644,673 for an energy efficiency and building improvement project. As of June 30, 2014, costs of \$188,217 had been incurred against the contracts. The balance of \$456,456 will be paid as work on the project progresses. The District had also incurred architect fees of \$32,450 toward the project as of June 30, 2014.

**Note 15. 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 disclosure 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.

*Keota Community School District*

REQUIRED SUPPLEMENTARY INFORMATION

KEOTA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES,  
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY 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	\$ 2,561,301	97,709	2,659,010	2,737,290	2,737,290	(78,280)
State sources	2,004,150	1,387	2,005,537	1,742,237	1,742,237	263,300
Federal sources	97,612	63,344	160,956	160,500	160,500	456
Total revenues	4,663,063	162,440	4,825,503	4,640,027	4,640,027	185,476
Expenditures/Expenses:						
Instruction	2,825,079	-	2,825,079	2,700,000	2,700,000	(125,079)
Support services	1,519,172	109	1,519,281	1,720,653	1,720,653	201,372
Non-instructional programs	-	176,727	176,727	175,000	175,000	(1,727)
Other expenditures	817,162	-	817,162	458,864	700,000	(117,162)
Total expenditures/expenses	5,161,413	176,836	5,338,249	5,054,517	5,295,653	(42,596)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(498,350)	(14,396)	(512,746)	(414,490)	(655,626)	142,880
Other financing sources, net	366,913	1,008	367,921	-	-	367,921
Excess(Deficiency) of revenues over(under)expenditures/expenses	(131,437)	(13,388)	(144,825)	(414,490)	(655,626)	510,801
Balance beginning of year	1,925,905	20,939	1,946,844	2,083,435	2,083,435	(136,591)
Balance end of year	\$ 1,794,468	7,551	1,802,019	1,668,945	1,427,809	374,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$241,136.

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas, as well as in total.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 94,932	94,932	0.0%	\$ 1,003,418	9.46%
2011	July 1, 2009	-	94,932	94,932	0.0%	922,434	10.29%
2012	July 1, 2009	-	94,932	94,932	0.0%	995,267	9.54%
2013	July 1, 2012	-	138,512	138,512	0.0%	867,360	15.97%
2014	July 1, 2012	-	138,512	138,512	0.0%	923,598	15.00%

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

SEE ACCOMPANYING INDEPENDENT AUDIT REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 148,228	51,240	199,468
Receivables:			
Property tax:			
Delinquent	837	-	837
Succeeding year	80,000	-	80,000
<b>Total assets</b>	<b>\$ 229,065</b>	<b>51,240</b>	<b>280,305</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	2,566	2,566
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	80,000	-	80,000
Fund balances:			
Restricted for:			
Management levy purposes	149,065	-	149,065
Student activities	-	48,674	48,674
<b>Total fund balances</b>	<b>149,065</b>	<b>48,674</b>	<b>197,739</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 229,065</b>	<b>51,240</b>	<b>280,305</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 80,115	-	80,115
Other	2,648	147,513	150,161
Total revenues	82,763	147,513	230,276
Expenditures:			
Current:			
Instruction:			
Other	-	155,046	155,046
Support services:			
Administration	26,965	-	26,965
Operation and maintenance of plant	19,253	-	19,253
Transportation	7,676	-	7,676
Total expenditures	53,894	155,046	208,940
Change in fund balances	28,869	(7,533)	21,336
Fund balances beginning of year	120,196	56,207	176,403
Fund balances end of year	\$ 149,065	48,674	197,739

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA 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
<b>Assets</b>			
Cash and pooled investments	\$ 600,770	20,633	621,403
Receivables:			
Property tax:			
Delinquent	-	536	536
Succeeding year	-	51,345	51,345
Due from other governments	149,289	-	149,289
<b>Total assets</b>	<b>\$ 750,059</b>	<b>72,514</b>	<b>822,573</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 179,039	7,243	186,282
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	51,345	51,345
Fund balances:			
Restricted for:			
School infrastructure	571,020	-	571,020
Physical plant and equipment	-	13,926	13,926
Total fund balances	571,020	13,926	584,946
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 750,059</b>	<b>72,514</b>	<b>822,573</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	51,331	51,331
Other	-	5,000	5,000
State sources	298,818	-	298,818
Total revenues	298,818	56,331	355,149
Expenditures:			
Current:			
Instruction:			
Regular	-	6,904	6,904
Support services:			
Instructional staff	-	8,280	8,280
Administration	-	920	920
Operation and maintenance of plant	84,542	1,155	85,697
Transportation	313,651	6,641	320,292
Capital outlay	346,413	8,780	355,193
Total expenditures	744,606	32,680	777,286
Excess(deficiency) of revenues over(under) expenditures	(445,788)	23,651	(422,137)
Other financing sources(uses):			
Transfer out	(10,364)	(33,653)	(44,017)
Bus loan proceeds	315,000	-	315,000
Insurance proceeds	-	3,356	3,356
Total other financing sources(uses)	304,636	(30,297)	274,339
Change in fund balances	(141,152)	(6,646)	(147,798)
Fund balances beginning of year	712,172	20,572	732,744
Fund balances end of year	\$ 571,020	13,926	584,946

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOTA 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
Drama	\$ 1,371	2,560	3,652	279
Speech Club	4,605	2,871	6,022	1,454
Athletics	5,279	32,216	35,131	2,364
Cheerleaders	91	510	178	423
FFA	5,239	24,594	29,783	50
FCCLA	3,624	-	-	3,624
LEAP Academy	-	865	241	624
YELL	-	76	-	76
Student Council	1,124	1,754	2,097	781
EagleRock!	1,233	17,505	18,678	60
Walking Trail	4,708	-	-	4,708
Science Club	56	612	661	7
Class of 2013	900	-	-	900
Class of 2014	753	1,643	1,571	825
Class of 2015	392	1,838	1,680	550
Special Baseball	11,534	8,449	6,085	13,898
Special Boys Track	1,211	624	288	1,547
Special Volleyball	2,296	2,330	1,927	2,699
Special Girls Track	649	624	251	1,022
Special Softball	2,183	3,401	2,680	2,904
Special Boys Basketball	1,776	15,152	12,522	4,406
Special Girls Basketball	4,208	11,391	11,974	3,625
Tournament	2,000	14,984	16,984	-
Special Cross Country	120	507	-	627
Special Golf	855	3,007	2,641	1,221
Total	\$ 56,207	147,513	155,046	48,674

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**KEOTA 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	\$ 2,020,004	2,485,705	2,542,432	2,423,188	1,852,518	2,026,385	1,959,570	1,839,674	1,974,821	2,003,961
Tuition	99,187	95,368	91,035	111,373	85,934	155,633	138,612	107,280	108,707	120,494
Other	442,110	321,629	455,823	324,348	361,245	183,869	230,224	177,562	136,943	114,698
State sources	2,004,150	1,551,797	1,506,524	1,466,452	1,132,681	1,323,678	1,266,068	1,277,225	1,267,901	1,312,969
Federal sources	97,612	101,745	168,224	259,158	243,455	105,781	110,671	116,004	128,459	134,997
<b>Total</b>	<b>\$ 4,663,063</b>	<b>4,556,244</b>	<b>4,764,038</b>	<b>4,584,519</b>	<b>3,675,833</b>	<b>3,795,346</b>	<b>3,705,145</b>	<b>3,517,745</b>	<b>3,616,831</b>	<b>3,687,119</b>
Expenditures:										
Instruction:										
Regular	\$ 1,815,579	1,728,649	1,458,502	1,406,999	1,352,497	1,457,514	1,488,962	1,531,236	1,442,892	1,492,419
Special	545,876	546,634	484,531	491,733	325,036	321,993	269,783	217,172	281,300	256,290
Other	463,624	505,612	520,490	665,087	609,776	437,364	431,292	460,867	404,984	380,720
Support services:										
Student	18,864	41,512	12,944	16,626	43,367	38,259	37,775	35,443	37,587	42,016
Instructional staff	162,840	188,267	137,421	81,408	118,261	97,256	151,994	110,642	124,557	103,735
Administration	477,600	400,795	419,499	431,642	440,746	425,727	461,481	435,309	366,462	363,463
Operation and maintenance of plant	404,265	274,838	306,734	309,623	324,857	548,799	291,560	305,326	368,869	321,058
Transportation	455,603	141,419	175,075	155,971	168,397	140,824	150,155	124,749	148,309	128,725
Non-instructional programs	-	3,000	-	460	607	-	-	-	4,492	-
Capital outlay	355,193	100,187	35,974	57,561	20,877	66,887	102,539	97,894	62,900	67,612
Long-term debt:										
Principal	282,722	262,359	257,358	247,358	242,358	190,000	221,641	210,270	203,951	192,680
Interest	46,942	54,972	63,411	70,725	73,561	76,193	111,018	119,287	129,107	140,277
Other expenditures:										
AEA flow-through	132,305	120,630	118,555	133,673	131,272	118,474	116,027	112,418	106,197	107,097
<b>Total</b>	<b>\$ 5,161,413</b>	<b>4,368,874</b>	<b>3,990,494</b>	<b>4,068,866</b>	<b>3,851,612</b>	<b>3,919,290</b>	<b>3,834,227</b>	<b>3,760,613</b>	<b>3,681,607</b>	<b>3,596,092</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Keota Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2015.

**Internal Control Over Financial Reporting**

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

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, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Keota Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

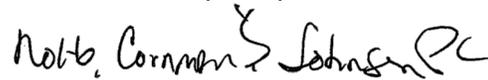
### **Keota Community School District's Responses to Findings**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2015  
Newton, Iowa

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

Response - This area continues to be a challenge, but the District continues to look for new ways to segregate duties in the central office.

Conclusion - Response accepted.

KEOTA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas, as well as in total.

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

Response - The Business Manager has created a line-item budget to help with the monitoring of expenditures and will amend the budget as necessary.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-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.

II-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike McNurlen, Speech Aide Owns DJ service	Purchased Services	\$ 733

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

II-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.

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

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

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

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-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. 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 712,172
Revenues:		
Sales tax revenue	\$ 298,818	
Proceeds from bus loan	315,000	613,818
		1,325,990
Expenditures/transfers out:		
School infrastructure construction	\$ 272,535	
Equipment	439,621	
Other	32,450	
Transfer to other funds		
Debt service fund	10,364	754,970
		754,970
Ending Balance		\$ 571,020

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.

- II-M-14 Financial Condition - The District had a deficit unrestricted net position of \$10,891 in the Enterprise, School Nutrition Fund at June 30, 2014.

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

Response - The District has increased lunch prices for the current school year again and are trying to find ways to save on expenditures in the School Nutrition Fund. The Business Manager has created a spreadsheet to help monitor revenues and expenses in the School Nutrition Fund.

Conclusion - Response accepted.

- II-N-14 Farmers Savings Bank Loan - During the year ended June 30, 2014, the District entered into a loan agreement with Farmers Savings Bank, however, it was noted that this was not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have all agreements between the District and outside parties signed by the Board President to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will make sure to have the Board President sign all contracts for the District.

Conclusion - Response accepted.