

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

JUNE 30, 2015

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Keokuk Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mike Beard	President	2015
Sandy Stark	Vice President	2015
Alka Khanolkar	Board Member	2017
Jane Abell	Board Member	2017
John Davis	Board Member	2015
Carrie Steele	Board Member	2017
Mark Pfaffe	Board Member	2015
School Officials		
Tim Hood	Superintendent	2015
Greg Reynolds	District Secretary/Treasurer and Business Manager (resigned November 2014)	2015
Heidi Harness	District Secretary/Treasurer and Business Manager (Appointed December 2014)	2015
Ahlers & Cooney, P.C.	Attorney	2015
Dorsey & Whitneym, LLP	Attorney	2015
James F. Dennis	Attorney	2015
Lynch Dallas	Attorney	2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District, Keokuk, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Keokuk Community School District at June 30, 2015 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Keokuk Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2016, on our consideration of the Keokuk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keokuk Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Keokuk Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$20,949,464 in fiscal year 2014 to \$21,802,642 in fiscal year 2015, while General Fund expenditures decreased from \$21,519,526 in fiscal year 2014 to \$21,506,797 in fiscal year 2015. This resulted in an increase in the District's General Fund balance from \$2,274,485 at June 30, 2014 to \$2,570,330 at June 30, 2015, a 13.01% increase from the prior year.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in other local sources and state source revenues. Despite a modest increase in negotiated salaries and benefits paid to District employees, the District was able to limit expenditures in other areas to create the minimal reduction in total General Fund expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

Figure A-1
Keokuk Community School District Annual Financial Report

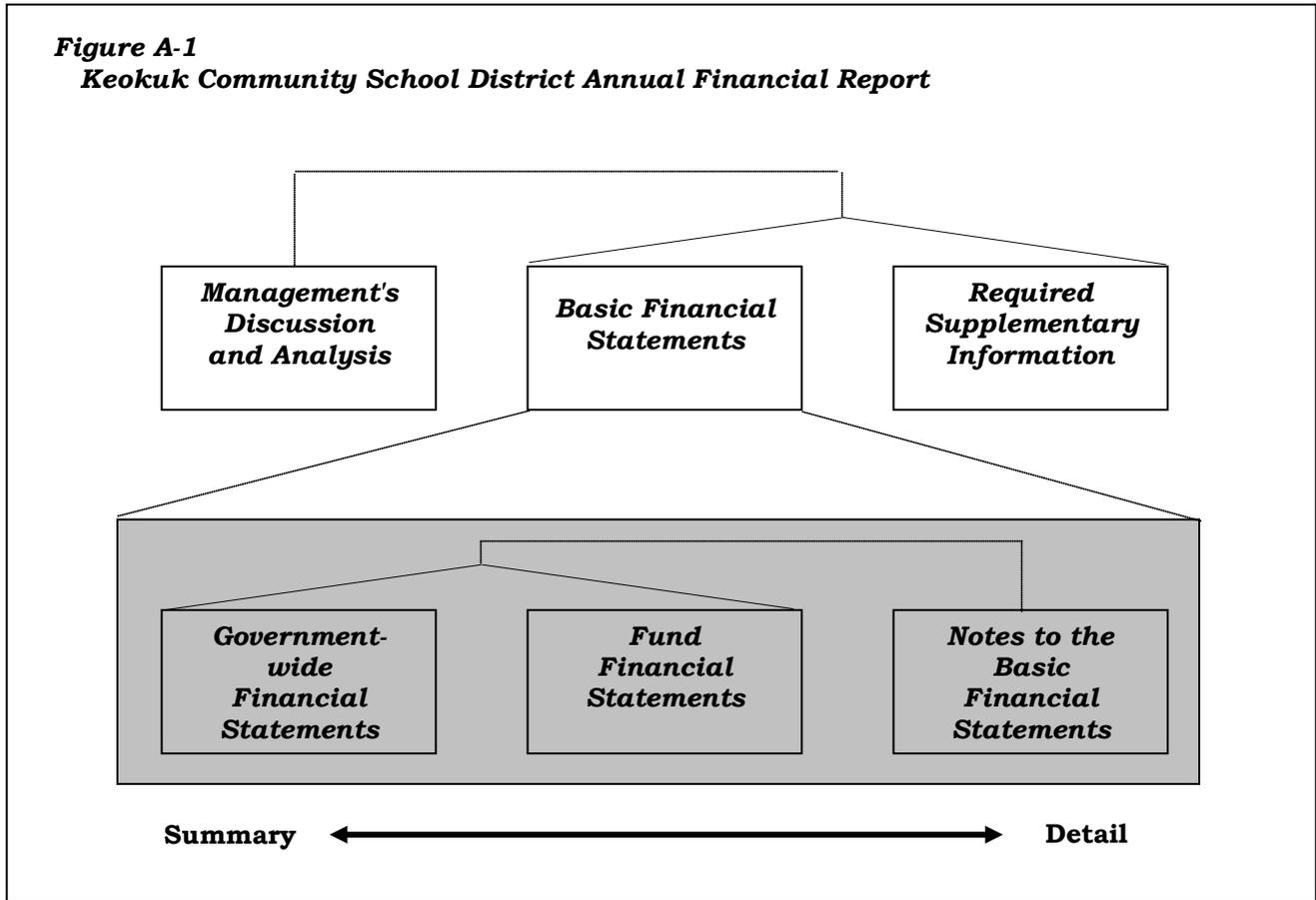


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how 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 three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2014	2014	2014	2014	2014	2014-15
	(Not	(Not	(Not	(Not	(Not	(Not	
	restated)	restated)	restated)	restated)	restated)	restated)	
	2015	2015	2015	2015	2015	2015	
Current and other assets	\$ 16,433,000	15,108,881	128,849	111,513	16,561,849	15,220,394	8.81%
Capital assets	32,497,265	33,335,902	180,951	229,794	32,678,216	33,565,696	-2.64%
Total assets	48,930,265	48,444,783	309,800	341,307	49,240,065	48,786,090	0.93%
Deferred outflows of resources	1,592,431	-	33,633	-	1,626,064	-	100.00%
Long-term liabilities	23,080,222	16,835,461	153,920	-	23,234,142	16,835,461	38.01%
Other liabilities	766,680	1,098,403	16,646	17,494	783,326	1,115,897	-29.80%
Total liabilities	23,846,902	17,933,864	170,566	17,494	24,017,468	17,951,358	33.79%
Deferred inflows of resources	10,718,623	7,122,289	58,701	-	10,777,324	7,122,289	51.32%
Net position:							
Net investment in capital assets	17,537,265	17,140,902	180,951	229,794	17,718,216	17,370,696	2.00%
Restricted	5,292,487	4,468,071	-	-	5,292,487	4,468,071	18.45%
Unrestricted	(6,872,581)	1,779,657	(66,785)	94,019	(6,939,366)	1,873,676	-470.36%
Total net position	\$ 15,957,171	23,388,630	114,166	323,813	16,071,337	23,712,443	-32.22%

The District's combined net position decreased by 32.22% or \$7,641,106 from the prior year. The largest portion of the District's net position is invested in capital assets, (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$824,416 or 18.45% from the prior year. This increase was primarily a result of the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$8,813,042 or 470.36%. This reduction in unrestricted net position was primarily the result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$9,436,045 and \$191,590, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 786,192	643,099	237,313	241,735	1,023,505	884,834	15.67%
Operating grants, contributions and restricted interest	2,825,031	2,576,564	688,311	703,825	3,513,342	3,280,389	7.10%
Capital grants, contributions and restricted interest	52,000	94,546	-	-	52,000	94,546	-45.00%
General revenues:							
Property tax	7,103,900	6,939,292	-	-	7,103,900	6,939,292	2.37%
Statewide sales, services and use tax	1,855,157	1,698,707	-	-	1,855,157	1,698,707	9.21%
Unrestricted state grants	12,748,162	12,351,291	-	-	12,748,162	12,351,291	3.21%
Unrestricted investment earnings	17,897	14,961	54	96	17,951	15,057	19.22%
Other	83,005	112,645	520	1,374	83,525	114,019	-26.74%
Total revenues	25,471,344	24,431,105	926,198	947,030	26,397,542	25,378,135	4.02%
Program expenses:							
Instructional	14,529,211	14,781,554	-	-	14,529,211	14,781,554	-1.71%
Support services	6,693,084	6,745,078	12,789	23,578	6,705,873	6,768,656	-0.93%
Non-instructional programs	6,073	2,612	931,466	974,386	937,539	976,998	-4.04%
Other expenses	2,238,390	2,444,027	-	-	2,238,390	2,444,027	-8.41%
Total expenses	23,466,758	23,973,271	944,255	997,964	24,411,013	24,971,235	-2.24%
Change in net position	2,004,586	457,834	(18,057)	(50,934)	1,986,529	406,900	-388.21%
Net position beginning of year, as restated	13,952,585	22,930,796	132,223	374,747	14,084,808	23,305,543	-39.56%
Net position end of year	\$ 15,957,171	23,388,630	114,166	323,813	16,071,337	23,712,443	-32.22%

In fiscal year 2015, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 85.22% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.94% of the revenue from business type activities.

The District's total revenues were approximately \$26.40 million, of which approximately \$25.47 million was for governmental activities and approximately \$0.93 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.02% increase in revenues and a 2.24% decrease in expenses. The largest reductions in expenses occurred in the instruction and other expenditures functional areas.

Governmental Activities

Revenues for governmental activities were \$25,471,344 and expenses were \$23,466,758 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 14,529,211	14,781,554	-1.71%	11,830,449	12,434,989	-4.86%
Support services	6,693,084	6,745,078	-0.77%	6,583,762	6,615,872	-0.49%
Non-instructional programs	6,073	2,612	132.50%	-	2,612	-100.00%
Other expenses	2,238,390	2,444,027	-8.41%	1,389,324	1,605,589	-13.47%
Total	<u>\$ 23,466,758</u>	<u>23,973,271</u>	<u>-2.11%</u>	<u>19,803,535</u>	<u>20,659,062</u>	<u>-4.14%</u>

- The cost financed by users of the District's programs was \$786,192.
- Federal and state governments, along with contributions from local sources subsidized certain programs with grants and contributions totaling \$2,877,031.
- The net cost of governmental activities was financed with \$7,103,900 in property tax, \$1,855,157 in statewide sales, service and use tax, \$12,748,162 in unrestricted state grants, \$17,897 in interest income and \$83,005 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$926,198 and expenses were \$944,255. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,333,057, compared to last year's ending fund balances of \$6,574,299. The primary reason for the increase was the improvement in the Capital Projects Fund and General Fund balances during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The primary reason for the increase in fund balance was an increase in other local and state source revenues. The District's General Fund balance increased from \$2,274,485 at June 30, 2014 to \$2,570,330 at June 30, 2015.
- The Capital Projects Fund balance increased from \$2,605,088 at June 30, 2014 to \$3,096,547 at June 30, 2015. The increase was primarily the result of reduced expenditures for capital outlay compared to the prior year.
- The Debt Service Fund balance decreased slightly from \$1,057,867 at June 30, 2014 to \$1,020,970 at June 30, 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a restated net position of \$132,223 at July 1, 2014 to \$114,166 at June 30, 2015, representing a decrease of approximately 13.66%. Revenues declined when compared with the prior year mainly due to a reduction in federal grant proceeds. Expenditures also declined mostly due to reductions in support services, food supplies and depreciation expenses when compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$46,428 more than budgeted revenues, a variance of 0.18%. The most significant variance resulted from the District more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$32,678,216, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.64% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$1,290,760.

The original cost of the District's capital assets was \$51,861,416. Governmental funds accounted for \$50,909,785 with the remainder of \$951,631 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$40,225 at June 30, 2014, compared to \$0 reported at June 30, 2015. The decrease resulted from the completion and reclassification of High School electrical wiring and fire protection systems upgrade projects that were completed 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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 815,351	815,351	-	-	815,351	815,351	0.00%
Construction in progress	-	40,225	-	-	-	40,225	-100.00%
Buildings	29,121,123	29,702,810	-	-	29,121,123	29,702,810	-1.96%
Land improvements	1,699,558	1,772,351	-	-	1,699,558	1,772,351	-4.11%
Machinery and equipment	861,233	1,005,165	180,951	229,794	1,042,184	1,234,959	-15.61%
Total	\$ 32,497,265	33,335,902	180,951	229,794	32,678,216	33,565,696	-2.64%

Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$23,234,142 in general obligation bonds, revenue bonds and other long-term debt. This represents an increase of 38.01% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding General Obligation Bonds payable from the Debt Service Fund of \$2,285,000 at June 30, 2015.
- The District had outstanding Revenue Bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$12,675,000 at June 30, 2015.
- The District had outstanding termination benefits payable of \$398,973 at June 30, 2015. \$12,000 is payable from the General Fund while the remaining \$386,973 is payable from the Special Revenue, Management Levy Fund.
- The District had outstanding compensated absences payable from the General Fund of \$140,494 at June 30, 2015.
- The District had a total net pension liability of \$7,734,675 at June 30, 2015, of which \$7,580,755 was attributable to governmental activities and \$153,920 was attributable to business type activities.

Figure A-6 Outstanding Long-Term Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 2,285,000	2,860,000	-	-	2,285,000	2,860,000	-20.10%
Revenue bonds	12,675,000	13,335,000	-	-	12,675,000	13,335,000	-4.95%
Termination benefits	398,973	497,409	-	-	398,973	497,409	-19.79%
Compensated absences	140,494	143,052	-	-	140,494	143,052	-1.79%
Net pension liability	7,580,755	-	153,920	-	7,734,675	-	100.00%
Total	\$ 23,080,222	16,835,461	153,920	-	23,234,142	16,835,461	38.01%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State of Iowa has set the supplemental state aid (formerly allowable growth) rates for fiscal years 2015 and 2016 at 4.00% and 1.25%, respectively. At this time, the District is unable to determine the level of the allowable growth rates from the State of Iowa for any future fiscal periods beyond fiscal year 2016. As the District's General Fund budget is comprised of approximately 80 percent salary and benefits, the ability to negotiate future salary settlements will continue to have a significant impact on future budget decisions.
- The Iowa school funding formula is highly dependent upon student enrollment. The District has continued to experience a decline in enrollment of 90.1 students, or 4.7% of the student population in the last five years which will continue to negatively impact the District's revenues while costs are expected to increase.
- The District has experienced little to no growth in taxable valuations in recent years which will force a shifting in funding between state aid and property taxes.
- The state of the national economy has historically influenced the State's economy. While it appears that the economy has improved at both national and state levels, future funding to schools in Iowa will undoubtedly continue to be directly affected. The state has issued three mid-year budget reductions to schools in the last ten years and future state funding reductions are always a concern.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heidi Harness, District Secretary/Treasurer and Business Manager, Keokuk Community School District, 1721 Fulton Street, Keokuk, Iowa, 52632.

Basic Financial Statements

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 6,904,792	62,698	6,967,490
Receivables:			
Property tax:			
Delinquent	156,364	-	156,364
Succeeding year	7,827,542	-	7,827,542
Accounts	4,409	2,988	7,397
Due from other governments	771,312	7,252	778,564
Inventories	-	24,470	24,470
Net OPEB asset	768,581	31,441	800,022
Capital assets, net of accumulated depreciation	32,497,265	180,951	32,678,216
Total assets	48,930,265	309,800	49,240,065
Deferred Outflows of Resources			
Pension related deferred outflows	1,592,431	33,633	1,626,064
Liabilities			
Accounts payable	469,569	6,481	476,050
Advances from grantors	34,251	-	34,251
Accrued interest payable	262,860	-	262,860
Unearned revenue	-	10,165	10,165
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	575,000	-	575,000
Revenue bonds payable	625,000	-	625,000
Termination benefits	231,749	-	231,749
Compensated absences	140,494	-	140,494
Portion due after one year:			
General obligation bonds payable	1,710,000	-	1,710,000
Revenue bonds payable	12,050,000	-	12,050,000
Termination benefits	167,224	-	167,224
Net pension liability	7,580,755	153,920	7,734,675
Total liabilities	23,846,902	170,566	24,017,468
Deferred Inflows of Resources			
Unavailable property tax revenue	7,827,542	-	7,827,542
Pension related deferred inflows	2,891,081	58,701	2,949,782
Total deferred inflows of resources	10,718,623	58,701	10,777,324
Net Position			
Net investment in capital assets	17,537,265	180,951	17,718,216
Restricted for:			
Categorical funding	1,179,593	-	1,179,593
Debt service	2,027,249	-	2,027,249
Management levy purposes	190,594	-	190,594
Student activities	67,643	-	67,643
School infrastructure	1,690,896	-	1,690,896
Physical plant and equipment	136,512	-	136,512
Unrestricted	(6,872,581)	(66,785)	(6,939,366)
Total net position	\$ 15,957,171	114,166	16,071,337

SEE NOTES TO FINANCIAL STATEMENTS.

**KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges	Contributions	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Service	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 8,269,193	286,660	220,432	-	(7,762,101)	-	(7,762,101)
Special	4,021,215	38,719	568,770	-	(3,413,726)	-	(3,413,726)
Other	2,238,803	410,581	1,173,600	-	(654,622)	-	(654,622)
	<u>14,529,211</u>	<u>735,960</u>	<u>1,962,802</u>	<u>-</u>	<u>(11,830,449)</u>	<u>-</u>	<u>(11,830,449)</u>
Support services:							
Student	992,095	-	-	-	(992,095)	-	(992,095)
Instructional staff	616,148	43,379	-	-	(572,769)	-	(572,769)
Administration	2,336,458	-	-	-	(2,336,458)	-	(2,336,458)
Operation and maintenance of plant	2,145,069	-	5,150	52,000	(2,087,919)	-	(2,087,919)
Transportation	603,314	6,853	1,940	-	(594,521)	-	(594,521)
	<u>6,693,084</u>	<u>50,232</u>	<u>7,090</u>	<u>52,000</u>	<u>(6,583,762)</u>	<u>-</u>	<u>(6,583,762)</u>
Non-instructional programs:							
Community service operations	6,073	-	6,073	-	-	-	-
	<u>6,073</u>	<u>-</u>	<u>6,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt interest	450,980	-	-	-	(450,980)	-	(450,980)
	<u>450,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,980)</u>	<u>-</u>	<u>(450,980)</u>
Other expenditures:							
AEA flowthrough	849,066	-	849,066	-	-	-	-
Depreciation(unallocated)*	938,344	-	-	-	(938,344)	-	(938,344)
	<u>1,787,410</u>	<u>-</u>	<u>849,066</u>	<u>-</u>	<u>(938,344)</u>	<u>-</u>	<u>(938,344)</u>
Total governmental activities	<u>23,466,758</u>	<u>786,192</u>	<u>2,825,031</u>	<u>52,000</u>	<u>(19,803,535)</u>	<u>-</u>	<u>(19,803,535)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	12,789	-	-	-	-	(12,789)	(12,789)
Non-instructional programs:							
Food service operations	931,466	237,313	688,311	-	-	(5,842)	(5,842)
Total business type activities	<u>944,255</u>	<u>237,313</u>	<u>688,311</u>	<u>-</u>	<u>-</u>	<u>(18,631)</u>	<u>(18,631)</u>
Total	<u>\$ 24,411,013</u>	<u>1,023,505</u>	<u>3,513,342</u>	<u>52,000</u>	<u>(19,803,535)</u>	<u>(18,631)</u>	<u>(19,822,166)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 6,368,511	-	6,368,511	
Debt service				601,708	-	601,708	
Capital outlay				133,681	-	133,681	
Statewide sales, services and use tax				1,855,157	-	1,855,157	
Unrestricted state grants				12,748,162	-	12,748,162	
Unrestricted investment earnings				17,897	54	17,951	
Other				83,005	520	83,525	
				<u>21,808,121</u>	<u>574</u>	<u>21,808,695</u>	
Total general revenues				<u>21,808,121</u>	<u>574</u>	<u>21,808,695</u>	
Changes in net position				2,004,586	(18,057)	1,986,529	
Net position beginning of year, as restated				13,952,585	132,223	14,084,808	
Net position end of year				<u>\$ 15,957,171</u>	<u>114,166</u>	<u>16,071,337</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,452,839	2,803,915	1,008,695	639,343	6,904,792
Receivables:					
Property tax:					
Delinquent	126,581	2,727	12,275	14,781	156,364
Succeeding year	6,342,202	133,751	601,590	749,999	7,827,542
Accounts	4,409	-	-	-	4,409
Due from other governments	481,407	289,905	-	-	771,312
Total assets	\$ 9,407,438	3,230,298	1,622,560	1,404,123	15,664,419
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 460,655	-	-	8,914	469,569
Advances from grantors	34,251	-	-	-	34,251
Total liabilities	494,906	-	-	8,914	503,820
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	6,342,202	133,751	601,590	749,999	7,827,542
Fund balances:					
Restricted for:					
Categorical funding	1,179,593	-	-	-	1,179,593
Debt service	-	1,269,139	1,020,970	-	2,290,109
Management levy purposes	-	-	-	577,567	577,567
Student activities	-	-	-	67,643	67,643
School infrastructure	-	1,690,896	-	-	1,690,896
Physical plant and equipment	-	136,512	-	-	136,512
Unassigned	1,390,737	-	-	-	1,390,737
Total fund balances	2,570,330	3,096,547	1,020,970	645,210	7,333,057
Total liabilities, deferred inflows of resources and fund balances	\$ 9,407,438	3,230,298	1,622,560	1,404,123	15,664,419

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances of governmental funds(page 20)	\$ 7,333,057
 <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 the governmental funds.	32,497,265
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 government funds.	(262,860)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	768,581
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred outflows of resources	\$ 1,592,431
Deferred inflows of resources	<u>(2,891,081)</u>
	(1,298,650)
Long-term liabilities, including bonds payable, compensated absences payable, termination benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(23,080,222)</u>
Net position of governmental activites(page 18)	<u><u>\$ 15,957,171</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 5,709,704	133,681	601,708	658,807	7,103,900
Tuition	294,149	-	-	-	294,149
Other	527,910	7,905	38	342,151	878,004
Intermediate sources	1,810	-	-	-	1,810
State sources	13,850,257	1,858,033	12,947	15,585	15,736,822
Federal sources	1,406,659	50,000	-	-	1,456,659
Total revenues	<u>21,790,489</u>	<u>2,049,619</u>	<u>614,693</u>	<u>1,016,543</u>	<u>25,471,344</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,374,284	11,691	-	247,217	8,633,192
Special	4,164,675	-	-	-	4,164,675
Other	2,078,818	-	-	300,580	2,379,398
	<u>14,617,777</u>	<u>11,691</u>	<u>-</u>	<u>547,797</u>	<u>15,177,265</u>
Support services:					
Student	954,826	-	-	-	954,826
Instructional staff	578,136	-	-	-	578,136
Administration	2,316,785	26,667	1,500	48,234	2,393,186
Operation and maintenance of plant	1,693,221	14,563	-	350,100	2,057,884
Transportation	490,913	89,689	-	62,061	642,663
	<u>6,033,881</u>	<u>130,919</u>	<u>1,500</u>	<u>460,395</u>	<u>6,626,695</u>
Non-instructional programs:					
Community service operations	6,073	-	-	-	6,073
Capital outlay	<u>-</u>	<u>269,011</u>	<u>-</u>	<u>-</u>	<u>269,011</u>
Long-term debt:					
Principal	-	-	1,235,000	-	1,235,000
Interest and fiscal charges	-	-	561,629	-	561,629
	<u>-</u>	<u>-</u>	<u>1,796,629</u>	<u>-</u>	<u>1,796,629</u>
Other expenditures:					
AEA flowthrough	849,066	-	-	-	849,066
Total expenditures	<u>21,506,797</u>	<u>411,621</u>	<u>1,798,129</u>	<u>1,008,192</u>	<u>24,724,739</u>
Excess(Deficiency) of revenues over(under) expenditures	283,692	1,637,998	(1,183,436)	8,351	746,605
Other financing sources(uses):					
Transfer in	-	-	1,146,539	-	1,146,539
Transfer out	-	(1,146,539)	-	-	(1,146,539)
Compensation for loss of capital assets	4,671	-	-	-	4,671
Sale of capital assets	7,482	-	-	-	7,482
Total other financing sources(uses)	<u>12,153</u>	<u>(1,146,539)</u>	<u>1,146,539</u>	<u>-</u>	<u>12,153</u>
Change in fund balances	295,845	491,459	(36,897)	8,351	758,758
Fund balances beginning of year	<u>2,274,485</u>	<u>2,605,088</u>	<u>1,057,867</u>	<u>636,859</u>	<u>6,574,299</u>
Fund balances end of year	<u>\$ 2,570,330</u>	<u>3,096,547</u>	<u>1,020,970</u>	<u>645,210</u>	<u>7,333,057</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 22) \$ 758,758

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. Capital outlay expenditures and depreciation expense in the current year were as follows:

Capital outlay	\$ 400,544	
Depreciation expense	<u>(1,239,181)</u>	(838,637)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,235,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 110,649

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,133,784

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

Termination benefits	98,436	
Compensated absences	2,558	
Pension expense	(577,144)	
Other postemployment benefits	<u>81,182</u>	<u>(394,968)</u>

Change in net position of governmental activities(page 19) \$ 2,004,586

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 62,698
Accounts receivable	2,988
Due from other governments	7,252
Inventories	24,470
Total current assets	97,408
Non-current assets:	
Net OPEB asset	31,441
Capital assets, net of accumulated depreciation	180,951
Total non-current assets	212,392
Total assets	309,800
 Deferred Outflows of Resources	
Pension related deferred outflows	33,633
 Liabilities	
Current liabilities:	
Accounts payable	6,481
Unearned revenue	10,165
Total current liabilities	16,646
Long-term liabilities:	
Net pension liability	153,920
Total liabilities	170,566
 Deferred Inflows of Resources	
Pension related deferred inflows	58,701
 Net Position	
Net investment in capital assets	180,951
Unrestricted	(66,785)
Total net position	\$ 114,166

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 237,313
Miscellaneous	520
Total operating revenues	237,833
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	9,247
Supplies	3,542
	12,789
Non-instructional programs:	
Food service operations:	
Salaries	289,196
Benefits	128,177
Services	1,867
Supplies	460,647
Depreciation	51,579
	931,466
Total operating expenses	944,255
Operating loss	(706,422)
Non-operating revenues:	
State sources	6,997
Federal sources	681,314
Interest income	54
Total non-operating revenues	688,365
Change in net position	(18,057)
Net position beginning of year, as restated	132,223
Net position end of year	\$ 114,166

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2015

	Enterprise: School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 234,193
Cash received from miscellaneous operating activities	520
Cash payments to employees for services	(434,634)
Cash payments to suppliers for goods or services	(400,507)
Net cash used in operating activities	(600,428)
Cash flows from non-capital financing activities:	
State grants received	6,997
Federal grants received	589,802
Net cash provided by non-capital financing activities	596,799
Cash flows from investing activities:	
Interest on investments	54
Cash flows from capital financing activities:	
Purchase of capital assets	(2,736)
Net decrease in cash and pooled investments	(6,311)
Cash and pooled investments beginning of year	69,009
Cash and pooled investments end of year	\$ 62,698
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (706,422)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	84,260
Depreciation	51,579
Increase in inventories	(10,331)
Increase in accounts receivable	(1,405)
Increase in accounts payable	867
Decrease in unearned revenue	(1,715)
Decrease in other postemployment benefits	(4,659)
Decrease in net pension liability	(60,349)
Increase in deferred outflows of resources	(10,954)
Increase in deferred inflows of resources	58,701
Net cash used in operating activities	\$ (600,428)

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

During the year ended June 30, 2015, the District received \$84,260 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash and pooled investments	<u>\$ 142,785</u>
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 142,785</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarships</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,301
Interest income	2,178
Total additions	<u>8,479</u>
Deductions:	
Instruction:	
Regular:	
Scholarship awarded	<u>6,139</u>
Change in net position	2,340
Net position beginning of year	<u>140,445</u>
Net position end of year	<u>\$ 142,785</u>

SEE NOTES TO FINANCIAL STATEMENTS.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District also reports the following non-major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

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

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund.

The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments..

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

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

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at amortized costs of \$4,230,012 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Standard and Poor's Financial Services.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 815,351	-	-	815,351
Construction in progress	40,225	90,063	130,288	-
Total capital assets not being depreciated	<u>855,576</u>	<u>90,063</u>	<u>130,288</u>	<u>815,351</u>
Capital assets being depreciated:				
Buildings	41,167,621	235,547	-	41,403,168
Land improvements	3,008,122	48,317	-	3,056,439
Machinery and equipment	5,539,794	156,905	61,872	5,634,827
Total capital assets being depreciated	<u>49,715,537</u>	<u>440,769</u>	<u>61,872</u>	<u>50,094,434</u>
Less accumulated depreciation for:				
Buildings	11,464,811	817,234	-	12,282,045
Land improvements	1,235,771	121,110	-	1,356,881
Machinery and equipment	4,534,629	300,837	61,872	4,773,594
Total accumulated depreciation	<u>17,235,211</u>	<u>1,239,181</u>	<u>61,872</u>	<u>18,412,520</u>
Total capital assets being depreciated, net	<u>32,480,326</u>	<u>(798,412)</u>	<u>-</u>	<u>31,681,914</u>
Governmental activities capital assets, net	<u>\$ 33,335,902</u>	<u>(708,349)</u>	<u>130,288</u>	<u>32,497,265</u>
Business type activities:				
Machinery and equipment	\$ 948,895	2,736	-	951,631
Less accumulated depreciation	719,101	51,579	-	770,680
Business type activities capital assets, net	<u>\$ 229,794</u>	<u>(48,843)</u>	<u>-</u>	<u>180,951</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,652
Other	30,995
Support services:	
Student	29,018
Administration	18,315
Operation and maintenance of plant	105,901
Transportation	110,956
	<u>300,837</u>
Unallocated depreciation	<u>938,344</u>
Total governmental activities depreciation expense	<u>\$ 1,239,181</u>
Business type activities:	
Food service operations	<u>\$ 51,579</u>

(4) Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,860,000	-	575,000	2,285,000	575,000
Revenue bonds	13,335,000	-	660,000	12,675,000	625,000
Termination benefits	497,409	117,398	215,834	398,973	231,749
Compensated absences	143,052	140,494	143,052	140,494	140,494
Net pension liability	10,553,001	-	2,972,246	7,580,755	-
Total	<u>\$27,388,462</u>	<u>257,892</u>	<u>4,566,132</u>	<u>23,080,222</u>	<u>1,572,243</u>
Business type activities:					
Net pension liability	\$ 214,269	-	60,349	153,920	-

General Obligation Bonds Payable

Details of the Districts June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue April 1, 2012			
	Interest Rate	Principal	Interest	Total
2016	0.80%	\$ 575,000	25,090	600,090
2017	1.00	575,000	20,490	595,490
2018	1.20	575,000	14,740	589,740
2019	1.40	560,000	7,840	567,840
Total		<u>\$ 2,285,000</u>	<u>68,160</u>	<u>2,353,160</u>

Revenue Bonds Payable

Details of the District's June 30, 2015, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue March 1, 2011			
	Interest Rate	Principal	Interest	Total
2016	3.50%	\$ 625,000	510,601	1,135,601
2017	3.50	635,000	488,551	1,123,551
2018	4.00	655,000	464,339	1,119,339
2019	4.00	680,000	437,639	1,117,639
2020	3.25	710,000	412,501	1,122,501
2021-2025	3.50-4.13	3,945,000	1,643,634	5,588,634
2026-2030	4.25-4.75	5,425,000	717,538	6,142,538
Total		<u>\$ 12,675,000</u>	<u>4,674,803</u>	<u>17,349,803</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$14,035,000 of bonds issued in March 1, 2011. The bonds were issued for the purpose of financing future energy projects in the District. The bonds are payable solely from the proceeds of the statewide sales,

services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 61 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$17,349,803. For the current year, \$660,000 in principal and \$533,089 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,855,157.

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

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

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2015. The plan was only offered to employees for one year. Eligible employees must have completed at least thirteen years of service to the District and must have reached the age of fifty-five on or before June 30, 2015. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits were equal to a percentage of the employee’s basic yearly salary dependent upon years of service, not to exceed a maximum benefit of \$20,000. Benefit payments are to be made in two equal installments on July 1, 2015 and July 1, 2016.

At June 30, 2015, the District had obligations to forty-four participants with a total liability of \$398,973. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$215,834.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 1,146,539</u>

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

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$1,158,104.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$7,734,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an

actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.191117 percent, which was an increase of 0.000950 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$588,862. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,061	\$ -
Changes of assumptions	341,349	-
Net difference between projected and actual earnings on pension plan investments	-	2,949,782
Changes in proportion and differences between District contributions and proportionate share of contributions	42,550	-
District contributions subsequent to the measurement date	<u>1,158,104</u>	-
Total	<u>\$ 1,626,064</u>	<u>\$ 2,949,782</u>

\$1,158,104 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (628,109)
2017	(628,109)
2018	(628,109)
2019	(628,109)
2020	30,614
	<u>\$ (2,481,822)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 14,614,451	\$ 7,734,675	\$ 1,927,431

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 270 active and 29 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 87,374
Interest on net OPEB obligation	(14,284)
Adjustment to annual required contribution	<u>31,575</u>
Annual OPEB cost (expense)	104,665
Contributions made	<u>(190,506)</u>
Increase in net OPEB obligation	(85,841)
Net OPEB obligation - beginning of year	<u>(714,181)</u>
Net OPEB obligation - end of year	<u><u>\$ (800,022)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015. For the year ended June 30, 2015, the District contributed \$190,506 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, 2015 is summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 132,310	355.90%	\$ (527,887)
2014	140,508	232.59	(714,181)
2015	104,665	182.02	(800,022)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,139,475 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,139,475. The covered payroll (annual payroll of active employees covered by the plan) was \$12,457,586 and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress 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, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.5%. The ultimate medical trend rate is 3%. The medical trend rate is reduced by a percentage each year until reaching the 3% ultimate rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon recent District experience.

Projected claim costs of the medical plan are \$842 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claim costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Keokuk Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 332,979
Weighted at-risk programs	21,831
Gifted and talented programs	201,938
Four-year-old preschool state aid	90,524
Beginning teacher mentoring and induction program	2,380
Teacher salary supplement	82,127
Beginning administrator mentoring and induction program	500
Successful progression for early readers	39,866
Professional development for model core curriculum	167,554
Professional development	233,559
Teacher leadership grants	6,335
Total	<u>\$ 1,179,593</u>

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$849,066 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Balances

The School Nutrition Fund had deficit unrestricted net position of \$66,785 and the District had deficit unrestricted net position in the governmental activities of \$6,872,581 at June 30, 2015.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 23,388,630	\$ 323,813
Net pension liability at June 30, 2014	(10,553,001)	(214,269)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>1,116,956</u>	<u>22,679</u>
Net position July 1, 2014, as restated	<u>\$ 13,952,585</u>	<u>\$ 132,223</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Net investment in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	2,290,109	577,567	1,390,737
Capital assets, net of accumulated depreciation	32,497,265	-	-	-
General obligation bond capitalized indebtedness	(2,285,000)	-	-	-
Revenue bond capitalized indebtedness	(12,675,000)	-	-	-
Accrued interest payable	-	(262,860)	-	-
Termination benefits	-	-	(386,973)	(12,000)
Compensated absences	-	-	-	(140,494)
Pension related deferred outflows	-	-	-	1,592,431
Pension related deferred inflows	-	-	-	(2,891,081)
Net pension liability	-	-	-	(7,580,755)
Net OPEB asset	-	-	-	768,581
Net position (Exhibit A)	<u>\$ 17,537,265</u>	<u>2,027,249</u>	<u>190,594</u>	<u>(6,872,581)</u>

Required Supplementary Information

KEOKUK COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 8,276,053	237,887	8,513,940	9,732,808	9,732,808	(1,218,868)
Intermediate sources	1,810	-	1,810	-	-	1,810
State sources	15,736,822	6,997	15,743,819	14,003,306	14,003,306	1,740,513
Federal sources	1,456,659	681,314	2,137,973	2,615,000	2,615,000	(477,027)
Total revenues	<u>25,471,344</u>	<u>926,198</u>	<u>26,397,542</u>	<u>26,351,114</u>	<u>26,351,114</u>	<u>46,428</u>
Expenditures/Expenses:						
Instruction	15,177,265	-	15,177,265	15,925,000	15,925,000	747,735
Support services	6,626,695	12,789	6,639,484	7,598,000	7,598,000	958,516
Non-instructional programs	6,073	931,466	937,539	1,100,000	1,100,000	162,461
Other expenditures	2,914,706	-	2,914,706	3,776,701	3,776,701	861,995
Total expenditures/expenses	<u>24,724,739</u>	<u>944,255</u>	<u>25,668,994</u>	<u>28,399,701</u>	<u>28,399,701</u>	<u>2,730,707</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	746,605	(18,057)	728,548	(2,048,587)	(2,048,587)	2,777,135
Other financing sources, net	<u>12,153</u>	<u>-</u>	<u>12,153</u>	<u>-</u>	<u>-</u>	<u>12,153</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	758,758	(18,057)	740,701	(2,048,587)	(2,048,587)	2,789,288
Balances beginning of year, as restated	<u>6,574,299</u>	<u>132,223</u>	<u>6,706,522</u>	<u>5,769,887</u>	<u>5,769,887</u>	<u>936,635</u>
Balances end of year	<u>\$ 7,333,057</u>	<u>114,166</u>	<u>7,447,223</u>	<u>3,721,300</u>	<u>3,721,300</u>	<u>3,725,923</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.191117%
District's proportionate share of the net pension liability	\$ 7,734,675
District's covered-employee payroll	\$ 12,968,695
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.64%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 1,158,104	1,139,241	1,066,370	993,132	880,008	891,133	847,017	781,103	691,064	676,351
Contributions in relation to the statutorily required contribution	<u>(1,158,104)</u>	<u>(1,139,241)</u>	<u>(1,066,370)</u>	<u>(993,132)</u>	<u>(880,008)</u>	<u>(891,133)</u>	<u>(847,017)</u>	<u>(781,103)</u>	<u>(691,064)</u>	<u>(676,351)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 12,968,695	12,757,458	12,299,539	12,306,468	12,661,986	12,822,058	13,338,850	12,910,793	12,018,504	11,762,626
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 4,104	4,104	0.0%	\$ 11,837	34.7%
2010	July 1, 2008	-	4,104	4,104	0.0	12,644	32.5
2011	July 1, 2010	-	1,687	1,687	0.0	11,214	15.0
2012	July 1, 2010	-	1,687	1,687	0.0	12,306	13.7
2013	July 1, 2012	-	1,934	1,934	0.0	11,749	16.5
2014	July 1, 2012	-	1,934	1,934	0.0	12,191	15.9
2015	July 1, 2014	-	1,139	1,139	0.0	12,458	9.1

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



Keokuk Community School District

Supplementary Information

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 562,786	76,557	639,343
Receivables:			
Property tax:			
Delinquent	14,781	-	14,781
Succeeding year	749,999	-	749,999
Total assets	\$ 1,327,566	76,557	1,404,123
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	8,914	8,914
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	749,999	-	749,999
Fund balances:			
Restricted for:			
Management levy purposes	577,567	-	577,567
Student activities	-	67,643	67,643
Total fund balances	577,567	67,643	645,210
Total liabilities, deferred inflows of resources and fund balances	\$ 1,327,566	76,557	1,404,123

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 658,807	-	658,807
Other	22,756	319,395	342,151
State sources	15,585	-	15,585
Total revenues	697,148	319,395	1,016,543
Expenditures:			
Current:			
Instruction:			
Regular	247,217	-	247,217
Other	-	300,580	300,580
Support services:			
Administration	48,234	-	48,234
Operation and maintenance of plant	350,100	-	350,100
Transportation	58,770	3,291	62,061
Total expenditures	704,321	303,871	1,008,192
Change in fund balances	(7,173)	15,524	8,351
Fund balances beginning of year	584,740	52,119	636,859
Fund balances end of year	\$ 577,567	67,643	645,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,670,130	133,785	2,803,915
Receivables:			
Property tax:			
Delinquent	-	2,727	2,727
Succeeding year	-	133,751	133,751
Due from other governments	289,905	-	289,905
Total assets	\$ 2,960,035	270,263	3,230,298
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	133,751	133,751
Fund balances:			
Restricted for:			
Debt service	1,269,139	-	1,269,139
School infrastructure	1,690,896	-	1,690,896
Physical plant and equipment	-	136,512	136,512
Total fund balances	2,960,035	136,512	3,096,547
Total liabilities, deferred inflows of resources and fund balances	\$ 2,960,035	270,263	3,230,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	133,681	133,681
Other	7,900	5	7,905
State sources	1,855,157	2,876	1,858,033
Federal sources	50,000	-	50,000
Total revenues	<u>1,913,057</u>	<u>136,562</u>	<u>2,049,619</u>
Expenditures:			
Current:			
Instruction:			
Regular	11,691	-	11,691
Support services:			
Administration	26,667	-	26,667
Operation and maintenance of plant	-	14,563	14,563
Transportation	-	89,689	89,689
Capital outlay	242,455	26,556	269,011
Total expenditures	<u>280,813</u>	<u>130,808</u>	<u>411,621</u>
Excess of revenues over expenditures	1,632,244	5,754	1,637,998
Other financing uses:			
Transfer out	<u>(1,146,539)</u>	-	<u>(1,146,539)</u>
Change in fund balances	485,705	5,754	491,459
Fund balances beginning of year	<u>2,474,330</u>	<u>130,758</u>	<u>2,605,088</u>
Fund balances end of year	<u>\$ 2,960,035</u>	<u>136,512</u>	<u>3,096,547</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE ACCOUNTS
 JUNE 30, 2015

	Debt Service		
	Debt Service	Sales Tax Debt Service	Total
Assets			
Cash and pooled investments	\$ 122,804	885,891	1,008,695
Receivables:			
Property tax:			
Delinquent	12,275	-	12,275
Succeeding year	601,590	-	601,590
Total assets	\$ 736,669	885,891	1,622,560
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	601,590	-	601,590
Fund balances:			
Restricted for:			
Debt service	135,079	885,891	1,020,970
Total liabilities, deferred inflows of resources and fund balances	\$ 736,669	885,891	1,622,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 DEBT SERVICE ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Debt Service		
	Debt Service	Sales Tax Debt Service	Total
Revenues:			
Local sources:			
Local tax	\$ 601,708	-	601,708
Other	17	21	38
State sources	12,947	-	12,947
Total revenues	<u>614,672</u>	<u>21</u>	<u>614,693</u>
Expenditures:			
Current:			
Support services:			
Administration	1,500	-	1,500
Long-term debt:			
Principal	575,000	660,000	1,235,000
Interest and fiscal charges	28,540	533,089	561,629
Total expenditures	<u>605,040</u>	<u>1,193,089</u>	<u>1,798,129</u>
Excess(Deficiency) of revenues over(under) expenditures	9,632	(1,193,068)	(1,183,436)
Other financing sources:			
Transfer in	-	1,146,539	1,146,539
Change in fund balances	9,632	(46,529)	(36,897)
Fund balances beginning of year	<u>125,447</u>	<u>932,420</u>	<u>1,057,867</u>
Fund balances end of year	<u>\$ 135,079</u>	<u>885,891</u>	<u>1,020,970</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS interest earned	\$ 52	-	-	52
HS drama	100	1,339	496	943
HS speech	165	3,051	2,700	516
HS vocal music	-	4,532	4,532	-
HS instrument music	-	2,798	2,798	-
HS winterguard	-	2,932	2,932	-
HS tournaments	428	7,578	6,499	1,507
HS cross country	-	652	652	-
HS boys basketball	-	11,668	10,739	929
HS football	4,000	19,877	11,176	12,701
HS soccer	987	1,383	2,370	-
HS baseball	530	10,001	10,531	-
HS boys track	-	1,091	1,091	-
HS boys tennis	-	1,302	1,302	-
HS boys golf	-	911	751	160
HS wrestling	-	10,169	10,169	-
HS girls basketball	2,000	12,209	9,778	4,431
HS volleyball	2,928	7,442	8,421	1,949
HS girls soccer	-	2,293	2,293	-
HS softball	232	6,084	6,316	-
HS girls track	-	3,552	2,378	1,174
HS girls tennis	-	532	532	-
HS girls golf	-	693	693	-
HS girls swimming	-	1,428	1,428	-
HS yearbook	260	133	-	393
HS general	497	405	29	873
HS student newspaper	219	-	-	219
HS booster club	-	26,395	20,416	5,979
HS fallon student	971	-	-	971
HS science club	250	-	-	250
HS student council	3,535	2,975	2,684	3,826
HS national honor society	191	2,265	2,456	-
HS art club	173	918	588	503
HS spanish club	1,282	-	37	1,245
HS math club	19	-	-	19
HS class of 2015	-	1,810	1,810	-
HS class of 2016	36	3,790	3,826	-
HS class of 2017	250	-	-	250
HS class of 2018	250	-	-	250

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 7

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS special education club	179	-	-	179
HS gay straight alliance	250	224	43	431
HS athletics	-	11,622	11,622	-
HS special athletics	147	-	-	147
HS weight room	-	13	13	-
HS student activity	-	4,503	4,503	-
HS concessions	1,329	51,455	52,784	-
HS little feather	944	18,004	18,948	-
HS cheerleaders	1,991	5,693	7,661	23
HS bowling	535	340	875	-
HS misc. fundraisers	-	40,074	33,951	6,123
HS learning center	666	12	-	678
HS secular student alliance	-	650	-	650
MS vocal music	185	1,355	741	799
MS instrument music	394	421	815	-
MS cross country	-	15	15	-
MS boys basketball	-	2,312	2,125	187
MS football	2,390	1,574	1,426	2,538
MS boys track	594	509	1,103	-
MS wrestling	329	608	549	388
MS girls basketball	-	1,961	1,961	-
MS volleyball	3,080	1,905	1,868	3,117
MS girls track	852	645	1,497	-
MS yearbook	165	2,496	2,343	318
MS student newspaper	-	31	31	-
MS language arts club	2,252	-	1,000	1,252
MS science fair	993	855	1,582	266
MS science club	133	-	70	63
MS student government	-	349	349	-
MS math club	1,998	-	1,293	705
MS SPED club	3,632	3,319	4,012	2,939
MS student athletes	1,210	-	545	665
MS sp athletes	124	500	-	624
MS student activities	5,110	12,379	14,368	3,121
MS pride	189	2,803	2,586	406
MS learn connects	2,980	402	498	2,884
MS interest checking	-	114	114	-
MS student products	113	44	157	-
Total	<u>\$ 52,119</u>	<u>319,395</u>	<u>303,871</u>	<u>67,643</u>

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION,
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Black Sims Award	\$ 607	2	-	609
Kilborne Prize	10,289	45	34	10,300
William Aldrich Trust	3,794	14	(1)	3,809
Elizabeth Wilson Leake Award	12,887	50	328	12,609
Maude Marshall Hassall	11,234	268	212	11,290
William J. Sigmund Memorial	8,665	210	665	8,210
Edna Sears Trust	7,665	95	300	7,460
Wilber Erickson	7,043	140	200	6,983
Edna Meiroto	53,596	6,045	2,800	56,841
Min Chung	24,665	309	300	24,674
Mississippi Valley Scholarship	-	301	301	-
Cox Scholarship	-	1,000	1,000	-
Total	\$ 140,445	8,479	6,139	142,785

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 7,103,900	6,939,292	8,344,915	8,184,637	7,806,793	7,897,093	7,616,356	7,606,715	7,855,095	7,274,081
Tuition	294,149	298,054	215,858	220,103	213,446	245,289	259,809	245,438	198,968	145,239
Other	878,004	575,206	566,264	587,788	584,991	478,922	676,673	969,653	1,054,607	812,557
Intermediate sources	1,810	-	-	-	-	-	-	178,312	210,708	237,966
State sources	15,736,822	15,205,617	12,570,466	12,391,925	12,786,294	11,894,011	13,491,287	13,397,397	12,272,932	11,526,565
Federal sources	1,456,659	1,412,936	1,713,574	2,407,985	3,283,591	3,164,595	1,634,007	1,250,991	1,746,675	1,981,714
Total	\$ 25,471,344	24,431,105	23,411,077	23,792,438	24,675,115	23,679,910	23,678,132	23,648,506	23,338,985	21,978,122
Expenditures:										
Instruction:										
Regular	\$ 8,633,192	8,738,871	9,165,549	8,595,597	8,579,351	8,880,479	9,280,408	8,464,617	7,943,690	7,535,015
Special	4,164,675	4,104,303	3,692,260	3,576,885	3,515,554	3,357,577	3,399,390	3,522,222	3,100,955	2,937,092
Other	2,379,398	2,353,843	2,447,301	2,277,468	2,769,315	2,676,714	2,282,900	2,205,656	2,079,130	1,927,481
Support services:										
Student	954,826	960,429	851,818	1,056,205	941,225	1,202,507	764,108	775,847	657,577	743,239
Instructional staff	578,136	557,038	506,334	535,395	607,845	563,412	549,095	496,602	517,981	522,756
Administration	2,393,186	2,465,853	2,346,800	2,277,609	2,315,953	2,442,702	2,406,456	2,243,438	2,230,343	2,140,048
Operation and maintenance of plant	2,057,884	2,101,859	2,026,538	1,877,404	1,752,493	1,949,854	1,816,588	1,860,690	1,799,722	1,889,550
Transportation	642,663	743,745	529,496	581,880	571,078	600,320	580,801	528,970	586,770	598,932
Non-instructional programs	6,073	2,612	12,439	10,797	505	185,731	254,758	445,944	541,631	695,083
Capital outlay	269,011	822,531	3,664,972	11,462,068	940,130	782,474	1,176,936	114,951	498,588	293,180
Long term debt:										
Principal	1,235,000	1,275,000	555,000	4,425,000	475,000	559,307	1,021,089	1,267,430	4,059,453	1,135,000
Interest and fiscal charges	561,629	588,304	608,380	641,132	182,355	198,084	223,437	269,379	430,057	441,233
Other expenditures:										
AEA flow-through	849,066	838,438	806,756	809,064	901,008	902,280	831,724	787,957	760,033	722,398
Total	\$ 24,724,739	25,552,826	27,213,643	38,126,504	23,551,812	24,301,441	24,587,690	22,983,703	25,205,930	21,581,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

KEOKUK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 15	\$ 76,519
National School Lunch Program	10.555	FY 15	542,408 *
Summer Food Service Program for Children	10.559	FY 15	8,182
			<u>627,109</u>
Fresh Fruit and Vegetable Program	10.582	FY 15	<u>54,205</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>601,202</u>
Special Education - Grants to States	84.027	FY 15	<u>5,334 **</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>27,165</u>
Fund for the Improvement of Education	84.215	FY 15	<u>50,000</u>
Safe and Drug-Free Schools and Communities - National Programs	84.148	FY 14	5,359
Safe and Drug-Free Schools and Communities - National Programs	84.148	FY 15	32,211
			<u>37,570</u>
Rural Education	84.358	FY 14	31,134
Rural Education	84.358	FY 15	5,722
			<u>36,856</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>125,751</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>9,345</u>
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 15	<u>101,600 **</u>
Total			<u><u>\$ 1,676,137</u></u>

* - Includes \$84,260 of non-cash awards.

* - Total Special Education - Grants to States was \$106,934.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keokuk Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Keokuk Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2016
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Keokuk Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Keokuk Community School District's major federal programs for the year ended June 30, 2015. Keokuk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Keokuk Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Keokuk Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Keokuk Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Keokuk Community School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Keokuk Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2016
Newton, Iowa

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

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

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

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-15 Supporting Documents for Credit Card Payments - During our audit we noted instances of purchases made on District credit cards that lacked detailed receipts and others that did not have a supporting invoice or any other documentation to support the payment.

Recommendation - District policy #406.2 requires any employee/officer using District issued credit cards to submit the original itemized receipt for each purchase. The District should review its procedures to ensure that all credit card purchases are supported by original detailed receipts in accordance with Board policy.

Response - We have and will continue to review the procedure for providing properly itemized receipts for the credit card purchases.

Conclusion - Response accepted.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

KEOKUK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget - District disbursements for the year ended June 30, 2015 did not exceed the amounts budgeted.
- IV-B-15 Questionable Disbursements - We noted during our audit that the District purchased a Walmart gift card that was donated to a local family. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979. Additionally, gift cards do not provide an opportunity for the Board to "audit and allow" the final purchase as required by Chapter 279.29 of the Code of Iowa.
- Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979 and Chapter 279.29 of the Code of Iowa.
- Response - We have and will continue to review with staff that gift cards are not an acceptable purchase with public funds.
- Conclusion - Response accepted.
- IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-15 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Iowa Department of Education was overstated by 2.0 students.
- Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted

- IV-J-15 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,474,330
Revenues:		
Sales tax revenues	\$ 1,855,157	
Other local revenues	7,900	
Federal revenues	50,000	1,913,057
		<u>4,387,387</u>
Expenditures/transfers out:		
School infrastructure construction	240,297	
Equipment	35,858	
Other	4,658	
Transfers to other funds:		
Debt service fund	1,146,539	1,427,352
		<u>1,427,352</u>
Ending balance		<u>\$ 2,960,035</u>

For the year ended June 30, 2015 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-15 Financial Condition - The School Nutrition Fund had deficit unrestricted net position of \$66,785 at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$6,872,581 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The deficits in the governmental activities and the School Nutrition Fund are due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.