KEOTA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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Keota Community School District

Officials

Name	Title	Term Expires
Board of Education		
Scott Flynn	President	2015
Lisa White	Vice President	2015
Pat Hammen	Board Member	2017
Naomi Gretter	Board Member	2017
Billie Kindred	Board Member	2015
School Officials		
Mark Schneider	Superintendent	2015
Cherie Westendorf	Business Manager/Board Secretary	2015
Joe Holland	Attorney	2015

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District, Keota, Iowa, as of and for the year ended June 30, 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, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of 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 15 to the financial statements, Keota 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, the 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 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keota Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2016 our consideration of Keota Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Keota Community School District's internal control over financial reporting and compliance.

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $3,839,036 in fiscal year 2014 to $3,625,106 in fiscal year 2015, while General Fund expenditures decreased from $3,845,523 in fiscal year 2014 to $3,699,147 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from $999,075 at June 30, 2014 to $925,034 at June 30, 2015, a 7.41% decrease from the prior year.

- The decrease in General Fund revenues was attributable to decreases in local revenues as compared to the prior year. The decrease in expenditures was due in part to decreased spending in the administrative support services functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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.

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

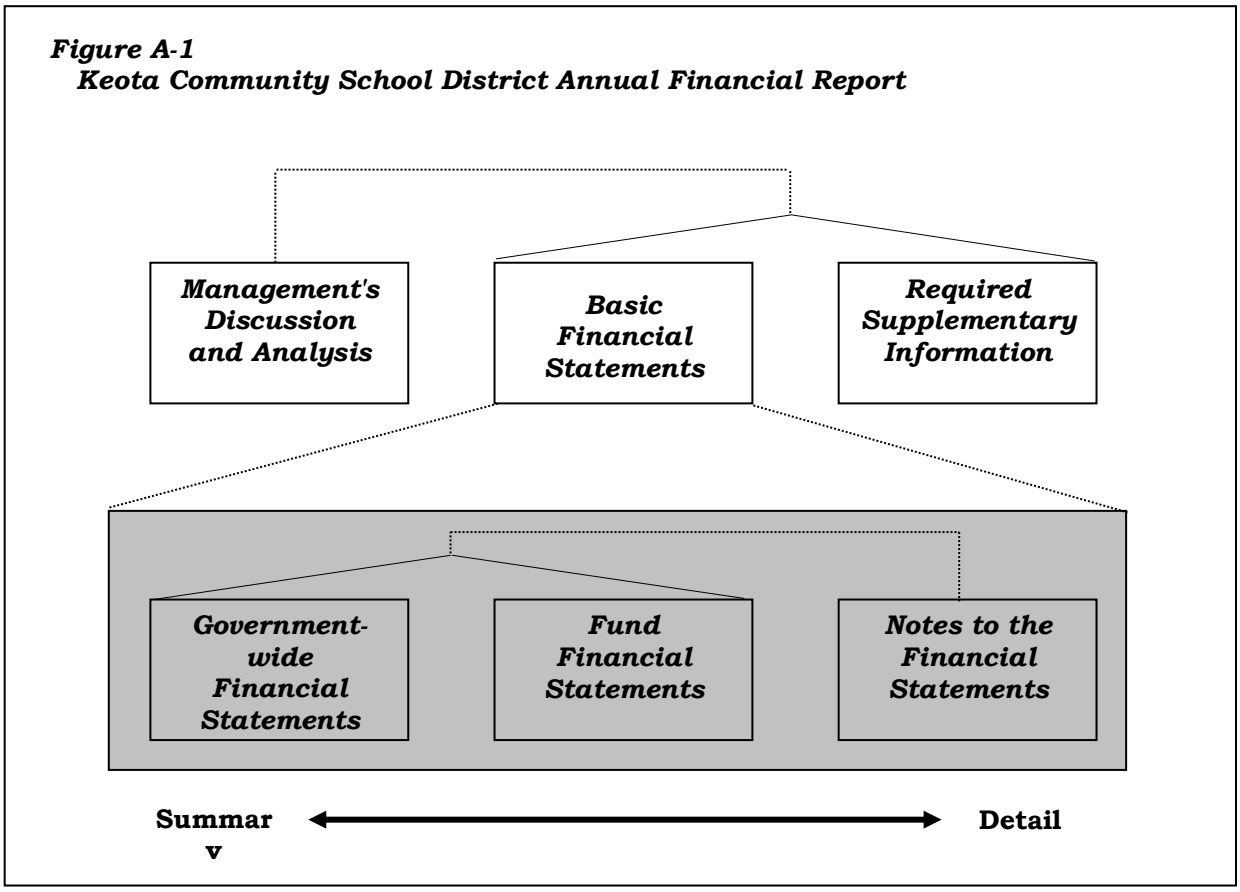

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of 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
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	$ 4,014,097	4,301,790	28,397	3,803	4,042,494	4,305,593	-6.11%
Capital assets	3,978,224	3,456,706	15,396	18,442	3,993,620	3,475,148	14.92%
Total assets	7,992,321	7,758,496	43,793	22,245	8,036,114	7,780,741	3.28%
Deferred outflows of resources	297,637	-	7,890	-	305,527	-	100.00%
Long-term liabilities	2,525,887	1,339,636	30,465	-	2,556,352	1,339,636	90.82%
Other liabilities	478,680	639,805	23,687	14,694	502,367	654,499	-23.24%
Total liabilities	3,004,567	1,979,441	54,152	14,694	3,058,719	1,994,135	53.39%
Deferred inflows of resources	2,337,914	1,859,312	11,618	-	2,349,532	1,859,312	26.37%
Net position:							
Net investment in capital assets	2,571,480	2,117,070	15,396	18,442	2,586,876	2,135,512	21.14%
Restricted	802,147	864,518	-	-	802,147	864,518	-7.21%
Unrestricted	(426,150)	938,155	(29,483)	(10,891)	(455,633)	927,264	-149.14%
Total net position	$ 2,947,477	3,919,743	(14,087)	7,551	2,933,390	3,927,294	-25.31%

The District's combined net position decreased by 25.31%, or $993,904 compared to the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased $62,371, or 7.21% from the prior year. The majority of the decrease in restricted net position was due to the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased $1,382,897, or 149.14%. This reduction in unrestricted net position was primarily a 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 $1,315,439 and $35,808, 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 June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	$ 327,836	291,834	109,185	95,170	437,021	387,004	12.92%
Operating grants, contributions and restricted interest	381,903	375,215	68,590	64,731	450,493	439,946	2.40%
Capital grants, contributions and restricted interest	-	53,062	-	-	-	53,062	-100.00%
General revenues:							
Property tax	1,852,101	1,817,631	-	-	1,852,101	1,817,631	1.90%
Income surtax	23,505	64,387	-	-	23,505	64,387	-63.49%
Statewide sales, services and use tax	324,121	298,818	-	-	324,121	298,818	8.47%
Unrestricted state grants	1,586,262	1,491,143	-	-	1,586,262	1,491,143	6.38%
Unrestricted investment earnings	4,080	9,807	218	152	4,298	9,959	-56.84%
Other	36,696	123,180	1,997	2,387	38,693	125,567	-69.19%
Total revenues	4,536,504	4,525,077	179,990	162,440	4,716,494	4,687,517	0.62%
Governmental activities:							
Instructional	2,730,571	2,776,773	-	-	2,730,571	2,776,773	-1.66%
Support services	1,150,700	1,181,055	108	109	1,150,808	1,181,164	-2.57%
Non-instructional programs	-	0	165,712	176,727	165,712	176,727	-6.23%
Other expenses	312,060	279,444	-	-	312,060	279,444	11.67%
Total expenses	4,193,331	4,237,272	165,820	176,836	4,359,151	4,414,108	-1.25%
Excess(Deficiency) of revenues over(under) expenditures	343,173	287,805	14,170	(14,396)	357,343	273,409	30.70%
Transfers	-	(1,008)	-	1,008	-	-	0.00%
Change in net position	343,173	286,797	14,170	(13,388)	357,343	273,409	30.70%
Net position beginning of year, as restated	2,604,304	3,632,946	(28,257)	20,939	2,576,047	3,653,885	-29.50%
Net position end of year	$ 2,947,477	3,919,743	(14,087)	7,551	2,933,390	3,927,294	-25.31%

In fiscal year 2015, property tax and unrestricted state grants accounted for 75.79% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 98.77% of the revenue from business type activities.

The District's total revenues were approximately $4.72 million, of which approximately $4.54 million was for governmental activities and approximately $0.18 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.62% in revenues and a 1.25% decrease in expenses. The decrease in expenses is related to decreases in the Instructional functional area.

Governmental Activities

Revenues for governmental activities were $4,536,504 and expenses were $4,193,331 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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	(Not Restated)	Change 2014-15
Instruction	$ 2,730,571	2,776,773	-1.66%	2,158,020	2,242,029	-3.75%
Support services	1,150,700	1,181,055	-2.57%	1,150,700	1,127,993	2.01%
Other expenses	312,060	279,444	11.67%	174,872	147,139	18.85%
Totals	$ 4,193,331	4,237,272	-1.04%	3,483,592	3,517,161	-0.95%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was $327,836.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling $381,903.
- The net cost of governmental activities was financed with $1,852,101 in property tax, $23,505 in income surtax, $324,121 in statewide sales, services and use tax, $1,586,262 in unrestricted state grants, $4,080 in interest income and $36,696 in other revenues.

Business Type Activities

Revenues of the District's business type activities were $179,990 representing a 10.80% increase from the prior year, while expenses totaled $165,820, a 6.23% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were largely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $1,612,023, compared to last year's ending fund balances of $1,794,468. The primary reason for

the decrease in combined fund balances during fiscal year 2015 can be attributed to the decrease in fund balance of the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

Governmental Fund Highlights

- The General Fund balance decreased from $999,075 at June 30, 2014 to $925,034 at June 30, 2015. Expenditures outpaced revenues causing the 7.41% decrease in fund balance during the year. The largest decrease of revenues was revenues from local sources.

- The Capital Projects Fund balance decreased from $584,946 at June 30, 2014 to $436,856 at June 30, 2015. The decrease in the Capital Projects Fund balance was due to increased regular instruction and instructional staff expenditures during the year.

- The Debt Service fund balance increased from $12,708 at June 30, 2014 to $13,665 at June 30, 2015, an increase of 7.53%

Proprietary Fund Highlights

The Proprietary Fund net position increased from a deficit $28,257 at June 30, 2014 to a deficit $14,087 at June 30, 2015. An increase in revenues from lunch sales and federal grants, and a decreased in operating expenses resulted in a 50.15% increase in net position during the year.

BUDGETARY HIGHLIGHTS

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

The District's revenues were $414,783 less than budgeted revenues, a variance of 8.09%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested $3,993,620, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 14.92% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $191,243.

The original cost of the District's capital assets was $7,274,153. Governmental funds account for $7,202,590 with the remainder of $71,563 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress decreased from $220,667 at June 30, 2014 to $7,876 at June 30, 2015, as the result of the completion of the energy efficiency and lighting and HVAC improvements projects started in the prior year.

Figure A-6 Capital Assets, Net of Depreciation	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014	Total District June 30, 2015	Total District June 30, 2014	Total Change June 30, 2014-15
Land	$ 12,310	12,310	-	-	12,310	12,310	0.00%
Construction in progress	7,876	220,667	-	-	7,876	220,667	-96.43%
Buildings	3,654,529	2,852,523	-	-	3,654,529	2,852,523	28.12%
Land improvements	7,897	8,336	-	-	7,897	8,336	-5.27%
Machinery and equipment	295,612	362,870	15,396	18,442	311,008	381,312	-18.44%
Total	$ 3,978,224	3,456,706	15,396	18,442	3,993,620	3,475,148	14.92%

Long-Term Debt

At June 30, 2015, the District had $2,556,352 in general obligation and other long-term debt outstanding. This represents an increase of 88.55% from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of $790,000 at June 30, 2015.

The District had outstanding revenue bonds payable of $373,712 at June 30, 2015.

The District has outstanding Net Pension Liability at June 30, 2015 of $1,149,608. The governmental activities accounted for $1,119,143 of the total while the Business Type Activates accounted for $30,465.

The District had a bus loan payable of $243,032 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7 Outstanding Long-Term Obligations	Governmental Activities June 30, 2015	Governmental Activities June 30, 2014 (Not Restated)	Business Type Activities June 30, 2015	Business Type Activities June 30, 2014 (Not Restated)	Total District June 30, 2015	Total District June 30, 2014 (Not Restated)	Total Change June 30, 2014-15
General obligation bonds	$ 790,000	1,035,000	-	-	790,000	1,035,000	-23.67%
Revenue bond	373,712	-	-	-	373,712	-	100.00%
Net pension liability	1,119,143	-	30,465	-	1,149,608	-	100.00%
Bus loan	243,032	304,636	-	-	243,032	304,636	-20.22%
Total	$ 2,525,887	1,339,636	30,465	-	2,556,352	1,339,636	88.55%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Almost 50% of the classes taught by Keota High School Teachers have 5 or less students in them. While these classes are required by the State of Iowa to maintain state accreditation, the low class numbers require the school district to operate inefficiently.

- The District's open enrollment out continues to increase each year.

- Shared positions with Mid-Prairie including Superintendent, Human Resource Coordinator, Teacher-Librarian, and Technology Director allow for cost savings to the District.

- Allowable growth is not keeping up with the increased cost of living.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 1,969,931	26,739	1,996,670
Receivables:			
Property tax:			
Delinquent	15,569	-	15,569
Succeeding year	1,911,105	-	1,911,105
Income surtax	20,233	-	20,233
Due from other governments	83,565	-	83,565
Due from other funds	8,000	-	8,000
Inventories	-	1,113	1,113
Capital assets, net of accumulated depreciation	3,978,224	15,396	3,993,620
Net OPEB asset	5,694	545	6,239
Total assets	7,992,321	43,793	8,036,114
Deferred Outflows of Resources			
Pension related deferred outflows	297,637	7,890	305,527
Liabilities			
Accounts payable	91,007	8,000	99,007
Salaries and benefits payable	374,035	12,333	386,368
Interest payable	13,638	-	13,638
Unearned revenue	-	3,354	3,354
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	250,000	-	250,000
Revenue bond payables	53,622	-	53,622
Bus loan payable	60,540	-	60,540
Portion due after one year:			
General obligation bonds payable	540,000	-	540,000
Revenue bond payables	320,090	-	320,090
Bus loan payable	182,492	-	182,492
Net pension liability	1,119,143	30,465	1,149,608
Total liabilities	3,004,567	54,152	3,058,719
Deferred Inflows of Resources			
Pension related deferred inflows	426,809	11,618	438,427
Unavailable property tax revenue	1,911,105	-	1,911,105
Total deferred inflows of resources	2,337,914	11,618	2,349,532
Net Position			
Net investment in capital assets	2,571,480	15,396	2,586,876
Restricted for:			
Categorical funding	128,796	-	128,796
School infrastructure	423,984	-	423,984
Physical plant and equipment levy	12,872	-	12,872
Debt service	27	-	27
Management levy purposes	173,444	-	173,444
Student activities	63,024	-	63,024
Unrestricted	(426,150)	(29,483)	(455,633)
Total net position	$ 2,947,477	(14,087)	2,933,390

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 1,843,483	163,701	89,561	(1,590,221)	-	(1,590,221)
Special	442,241	-	15,806	(426,435)	-	(426,435)
Other	444,847	164,135	139,348	(141,364)	-	(141,364)
	2,730,571	327,836	244,715	(2,158,020)	-	(2,158,020)
Support services:						
Student	33,275	-	-	(33,275)	-	(33,275)
Instructional staff	163,179	-	-	(163,179)	-	(163,179)
Administration	432,734	-	-	(432,734)	-	(432,734)
Operation and maintenance of plant	340,441	-	-	(340,441)	-	(340,441)
Transportation	181,071	-	-	(181,071)	-	(181,071)
	1,150,700	-	-	(1,150,700)	-	(1,150,700)
Long-term debt interest	53,933	-	-	(53,933)	-	(53,933)
Other expenses:						
AEA flowthrough	137,188	-	137,188	-	-	-
Depreciation(unallocated)*	120,939	-	-	(120,939)	-	(120,939)
	258,127	-	137,188	(120,939)	-	(120,939)
Total governmental activities	4,193,331	327,836	381,903	(3,483,592)	-	(3,483,592)
Business type activities:						
Support service:						
Operation and maintenance of plant	108	-	-	-	(108)	(108)
Non-instructional programs:						
Food service operations	165,712	109,185	68,590	-	12,063	12,063
Total business type activities	165,820	109,185	68,590	-	11,955	11,955
Total	$ 4,359,151	437,021	450,493	(3,483,592)	11,955	(3,471,637)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				$ 1,518,329	-	1,518,329
Debt service				282,430	-	282,430
Capital outlay				51,342	-	51,342
Income surtax				23,505	-	23,505
Statewide sales, services and use tax				324,121	-	324,121
Unrestricted state grants				1,586,262	-	1,586,262
Unrestricted investment earnings				4,080	218	4,298
Other general revenues				36,696	1,997	38,693
Total general revenues				3,826,765	2,215	3,828,980
Change in net position				343,173	14,170	357,343
Net position beginning of year, as restated				2,604,304	(28,257)	2,576,047
Net position end of year				$ 2,947,477	(14,087)	2,933,390

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	$ 1,334,719	387,737	11,292	236,183	1,969,931
Receivables:					
Property tax:					
Delinquent	12,093	431	2,373	672	15,569
Succeeding year	1,512,864	51,831	266,410	80,000	1,911,105
Income surtax	20,233	-	-	-	20,233
Due from other funds	8,000	-	-	-	8,000
Due from other governments	32,700	50,865	-	-	83,565
Total assets	$ 2,920,609	490,864	280,075	316,855	4,008,403
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$ 88,443	2,177	-	387	91,007
Salaries and benefits payable	374,035	-	-	-	374,035
Total liabilities	462,478	2,177	-	387	465,042
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,512,864	51,831	266,410	80,000	1,911,105
Income surtax	20,233	-	-	-	20,233
Total deferred inflows of resources	1,533,097	51,831	266,410	80,000	1,931,338
Fund balances:					
Restricted for:					
Categorical funding	128,796	-	-	-	128,796
School infrastructure	-	423,984	-	-	423,984
Physical plant and equipment	-	12,872	-	-	12,872
Debt service	-	-	13,665	-	13,665
Management levy purposes	-	-	-	173,444	173,444
Student activities	-	-	-	63,024	63,024
Unassigned	796,238	-	-	-	796,238
Total fund balances	925,034	436,856	13,665	236,468	1,612,023
Total liabilities, deferred inflows of resources and fund balances	$ 2,920,609	490,864	280,075	316,855	4,008,403

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

KEOTA 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)		$ 1,612,023
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,978,224
Accounts receivable income surtax are not yet available to to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		20,233
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(13,638)
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.		5,694
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	$ 297,637	
Deferred inflows of resources	(426,809)	(129,172)
Long-term liabilities, including general obligation bonds payable, net pension liability, computer lease payable and bus loan payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		(2,525,887)
Net position of governmental activities(page 18)		$ 2,947,477

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

KEOTA 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	$ 1,458,566	51,342	282,430	79,996	1,872,334
Tuition	107,728	-	-	-	107,728
Other	146,781	11,327	-	156,896	315,004
State sources	1,809,886	324,371	1,375	389	2,136,021
Federal sources	102,145	-	-	-	102,145
Total revenues	3,625,106	387,040	283,805	237,281	4,533,232
Expenditures:					
Current:					
Instruction:					
Regular	1,835,955	20,227	-	-	1,856,182
Special	454,683	-	-	-	454,683
Other	311,957	-	-	138,685	450,642
	2,602,595	20,227	-	138,685	2,761,507
Support services:					
Student	33,005	-	-	-	33,005
Instructional staff	141,439	22,770	-	-	164,209
Administration	398,487	7,438	-	29,792	435,717
Operation and maintenance of plant	262,737	41,455	-	30,075	334,267
Transportation	123,696	1,711	-	-	125,407
	959,364	73,374	-	59,867	1,092,605
Capital outlay	-	741,139	-	-	741,139
Long-term debt:					
Principal	-	-	332,892	-	332,892
Interest and fiscal charges	-	-	50,346	-	50,346
	-	-	383,238	-	383,238
Other expenditures:					
AEA flowthrough	137,188	-	-	-	137,188
Total expenditures	3,699,147	834,740	383,238	198,552	5,115,677
Excess(Deficiency) of revenues over(under) expenditures	(74,041)	(447,700)	(99,433)	38,729	(582,445)
Other financing sources(uses):					
Transfer in	-	-	100,390	-	100,390
Transfer out	-	(100,390)	-	-	(100,390)
Bond Issuance	-	400,000	-	-	400,000
Total other financing sources(uses)	-	299,610	100,390	-	400,000
Change in fund balances	(74,041)	(148,090)	957	38,729	(182,445)
Fund balances beginning of year	999,075	584,946	12,708	197,739	1,794,468
Fund balances end of year	$ 925,034	436,856	13,665	236,468	1,612,023

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

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

Change in fund balances - total governmental funds(page 22)		$ (182,445)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Expenditures for capital outlays, depreciation expense for the year is as follows:		
Capital outlays	$ 709,715	
Depreciation expense	(188,197)	521,518
Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		3,272
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments as follows:		
Issued	(400,000)	
Repaid	332,892	(67,108)
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.		(3,587)
The Current year District share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position		167,023
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.		
Pension Expence		(99,899)
Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds.		4,399
Change in net position of governmental activities(page 19)		$ 343,173

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

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

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	$ 26,739
Inventories	1,113
Total current assets	27,852
Noncurrent assets:	
Capital assets, net of accumulated depreciation	15,396
Net OPEB asset	545
Total noncurrent assets	15,941
Total assets	43,793
Deferred Outflows of Resources	
Pension related deferred outflows	7,890
Liabilities	
Current liabilities:	
Interfund Payables	8,000
Salaries and benefits payable	12,333
Unearned revenue	3,354
Total current liabilities	23,687
Noncurrent liabilites	
Net pension liability	30,465
Total liabilities	54,152
Deferred Inflows of Resources	
Pension related deferred inflows	11,618
Net Position	
Net investment in capital assets	15,396
Unrestricted	(29,483)
Total net position	$ (14,087)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

KEOTA 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	$ 109,185
Miscellaneous	1,997
Total operating revenues	111,182
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	108
Non-instructional programs:	
Food service operations:	
Salaries	49,729
Benefits	26,942
Services	13
Supplies	85,977
Other	5
Depreciation	3,046
	165,712
Total operating expenses	165,820
Operating loss	(54,638)
Non-operating revenues:	
State sources	1,354
Federal sources	67,236
Interest on investments	218
Total non-operating revenues	68,808
Change in net position	14,170
Net position beginning of year, as restated	(28,257)
Net position end of year	$ (14,087)

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

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

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 110,022
Cash received from miscellaneous	1,997
Cash payments to employees for services	(78,551)
Cash payments to suppliers for goods or services	(78,738)
Net cash used in operating activities	(45,270)
Cash flows from non-capital financing activities:	
Transfer from General Fund	8,000
State grants received	1,354
Federal grants received	60,103
Net cash provided by non-capital financing activities	69,457
Cash flows from investing activities:	
Interest on investments	218
Net increase in cash and cash equivalents	24,405
Cash and cash equivalents at beginning of year	2,334
Cash and cash equivalents at end of year	$ 26,739
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (54,638)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,133
Depreciation	3,046
Decrease in inventories	232
Increase in salaries and benefits payable	156
Increase in unearned revenue	837
Decrease in net pension liability	(9,832)
Increase in deferred outflows of resources	(3,401)
Increase in deferred inflows of resources	11,618
Increase in other postemployment benefits	(421)
Net cash used in operating activities	$ (45,270)

Non-cash investing, capital and related financing activities:
During the year ended June 30, 2015, the District received Federal commodities valued at $7,133.

SEE NOTES TO FINANCIAL STATEMENTS.

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental fund:

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

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

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

The District reports the following nonmajor proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	2,500
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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.

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

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

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

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

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

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

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.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015 the District had no investments.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Fund Payable	Fund Receivable	Amount
General Fund	Student Nutrition Fund	$ 8,000

The Student Nutrition Fund is repaying the General Fund for end of year Salaries and Benefits. The balance is to be repaid by June 30, 2016.

Note 4. 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	$ 100,390

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

Note 5. 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	$ 12,310	-	-	12,310
Construction in progress	220,667	685,345	898,136	7,876
Total capital assets not being depreciated	232,977	685,345	898,136	20,186
Capital assets being depreciated:				
Buildings	5,433,791	922,506	-	6,356,297
Land improvements	8,775	-	-	8,775
Machinery and equipment	817,332	-	-	817,332
Total capital assets being depreciated	6,259,898	922,506	-	7,182,404
Less accumulated depreciation for:				
Buildings	2,581,268	120,500	-	2,701,768
Land improvements	439	439	-	878
Machinery and equipment	454,462	67,258	-	521,720
Total accumulated depreciation	3,036,169	188,197	-	3,224,366
Total capital assets being depreciated, net	3,223,729	734,309	-	3,958,038
Governmental activities capital assets, net	$ 3,456,706	1,419,654	898,136	3,978,224
Business type activities:				
Machinery and equipment	$ 71,563	-	-	71,563
Less accumulated depreciation	53,121	3,046	-	56,167
Business type activities capital assets, net	$ 18,442	(3,046)	-	15,396

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction	
Regular	$ 2,142
Support services:	
Administration	2,132
Operation and maintenance of plant	6,327
Transportation	56,657
	67,258
Unallocated depreciation	120,939
Total governmental activities depreciation expense	$ 188,197
Business type activities:	
Food service operations	$ 3,046

Note 6. Long-Term Liabilities

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	$ 1,035,000	-	245,000	790,000	250,000
Revenue bond	-	400,000	26,288	373,712	53,622
Bus loan	304,636	-	61,604	243,032	60,540
Net pension liability	1,480,334	-	361,191	1,119,143	-
Total	$ 2,819,970	400,000	694,083	2,525,887	364,162
Business type activities:					
Net pension liability	$ 40,297	-	9,832	30,465	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond dated April 28, 2008			
	Interest Rates	Principal	Interest	Total
2016	3.60%	$ 250,000	29,118	279,118
2017	3.70	265,000	20,117	285,117
2018	3.75	275,000	10,313	285,313
Total		$ 790,000	59,548	849,548

Revenue Bond

Details of the District's June 30, 2015 revenue bond indebtedness are as follows:

Year Ending June 30,	Revenue Bond dated August 29, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.50%	53,622	9,010	62,632
2017	2.50	54,994	7,661	62,655
2018	2.50	56,378	6,278	62,656
2019	2.50	57,796	4,859	62,655
2020-2022	2.50	150,922	5,707	156,629
		$ 373,712	33,515	407,227

Bus Lease

Details of the District's June 30, 2015 bus lease indebtedness, which is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Bus Loan dated February 21, 2014			
	Interest Rates	Principal	Interest	Total
2016	3.50%	$ 60,540	8,506	69,046
2017	3.50	62,642	6,405	69,047
2018	3.50	64,852	4,195	69,047
2019	3.50	54,998	1,925	56,923
Total		$ 243,032	21,031	264,063

Note 7. 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 $171,358.

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 $1,149,608 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 0.028406 percent, which was an increase of 0.001549 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $102,619. 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	$ 12,494	$ -
Changes of assumptions	50,735	-
Net difference between projected and actual earnings on pension plan investments	-	438,427
Changes in proprotion and differences between District contributions and proportionate share of contributions	70,940	-
District contributions subsequent to the measurement date	171,358	-
Total	$ 305,527	$ 438,427

$171,358 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 the year ended June 30, 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	$ (78,259)
2017	(78,259)
2018	(78,259)
2019	(78,259)
2020	8,778
	$ (304,258)

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$ 2,174,152	$ 1,149,608	$ 286,475

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.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of $25,266 for legally required employer contributions and $16,835 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits

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

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

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

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

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

Annual required contribution	$ 12,916
Interest on net OPEB obligation	(14)
Adjustment to annual required contribution	55
Annual OPEB cost	12,957
Contribution made	(17,777)
Increase in net OPEB obligation	(4,820)
Net OPEB obligation beginning of year	(1,419)
Net OPEB obligation end of year	$ (6,239)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed $17,777 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 12,721	155.5%	$ (255)
2014	12,923	109.0%	(1,419)
2015	12,957	137.2%	(6,239)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $138,512, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $138,512. The covered payroll (annual payroll of active employees covered by the plan) was $992,567 and the ratio of the UAAL to covered payroll was 13.95%.

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

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

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

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

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

Note 9. Risk Management

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

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

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to SEIHC for the year ended June 30, 2015 were $358,379.

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

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

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

Note 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 $137,188 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.

Note 11. Categorical Funding

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

Program		Amount
Homeschool assistance program	$	21,638
Gifted and talented programs		12,971
Dropout and Dropout Prevention		2,130
Beginning teacher mentoring and induction		1,505
Four-year old preschool aid		11,875
Professional development for model core curriculum		26,578
Educator quality, Professional development		19,588
Market factor incentives		858
Successful progression for early readers		29,153
Early childhood program		2,500
Total	$	128,796

Note 12. Financial Condition

The District had a deficit unrestricted net position in the Enterprise, School Nutrition Fund of $29,483 and a deficit net position of $14,087 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of $426,150.

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

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	$ -	13,665	796,238
Capital assets, net of accumulated depreciation	3,978,224	-	-
General obligation bond proceeds expended for capital assets	(790,000)	-	-
Revenue bond payable	(373,712)	-	-
Bus loan payable	(243,032)	-	-
Accrued interest payable	-	(13,638)	-
Pension related deferred Inflows	-	-	(426,809)
Pension related deferred outflows	-	-	297,637
Net Pension Liability	-	-	(1,119,143)
Net OPEB asset	-	-	5,694
Income surtax	-	-	20,233
Net position(Exhibit A)	$ 2,571,480	27	(426,150)

Note 14. Construction Commitment

The District has entered into contracts totaling $19,689 for a new intercom system. As of June 30, 2015, costs of $7,876 had been incurred against the contracts. The balance of $11,814 will be paid as work on the project progresses.

Note 15. Accounting Change/Restatement Note

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:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	$ 3,919,743	$ 7,551
Net pension liability at June 30, 2014	(1,480,334)	(40,297)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	164,895	4,489
Net position July 1, 2014, as restated	$ 2,604,304	$ (28,257)

Keota Community School District

REQUIRED SUPPLEMENTARY INFORMATION

KEOTA 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 Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 2,295,066	111,400	2,406,466	3,060,087	3,060,087	(653,621)
State sources	2,136,021	1,354	2,137,375	1,892,918	1,892,918	244,457
Federal sources	102,145	67,236	169,381	175,000	175,000	(5,619)
Total revenues	4,533,232	179,990	4,713,222	5,128,005	5,128,005	(414,783)
Expenditures/Expenses:						
Instruction	2,761,507	-	2,761,507	3,214,000	3,214,000	452,493
Support services	1,092,605	108	1,092,713	1,284,480	1,284,480	191,767
Non-instructional programs	-	165,712	165,712	181,440	181,440	15,728
Other expenditures	1,261,565	-	1,261,565	1,192,376	1,492,376	230,811
Total expenditures/expenses	5,115,677	165,820	5,281,497	5,872,296	6,172,296	890,799
Excess(Deficiency) of revenues over(under) expenditures/expenses	(582,445)	14,170	(568,275)	(744,291)	(1,044,291)	476,016
Other financing sources, net	400,000	-	400,000	-	-	400,000
Excess(Deficiency) of revenues over(under)expenditures/expenses	(182,445)	14,170	(168,275)	(744,291)	(1,044,291)	876,016
Balance beginning of year, as restated	1,794,468	(28,257)	1,766,211	1,374,368	1,374,368	391,843
Balance end of year	$ 1,612,023	(14,087)	1,597,936	630,077	330,077	1,267,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $300,000.

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OG 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 liablity		0.028406%
District's proportionate share of the net pension liability	$	1,149,608
District's covered-employee payroll	$	1,918,902
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		59.91%
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.

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 171,358	168,212	150,559	139,238	124,241	116,679	111,793	112,254	110,026	103,512
Contributions in relation to the statutorily required contribution	(171,358)	(168,212)	(150,559)	(139,238)	(124,241)	(116,679)	(111,793)	(112,254)	(110,026)	(103,512)
Contribution deficiency (excess)	$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 1,918,902	1,883,673	1,736,551	1,725,378	1,787,640	1,678,835	1,760,520	1,855,438	1,913,496	1,800,209
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.

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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
2010	July 1, 2009	-	$ 94,932	94,932	0.0%	$ 1,003,418	9.46%
2011	July 1, 2009	-	94,932	94,932	0.0%	922,434	10.29%
2012	July 1, 2009	-	94,932	94,932	0.0%	995,267	9.54%
2013	July 1, 2012	-	138,512	138,512	0.0%	867,360	15.97%
2014	July 1, 2012	-	138,512	138,512	0.0%	923,598	15.00%
2015	July 1, 2012	-	138,512	138,512	0.0%	992,567	13.95%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDIT REPORT.

SUPPLEMENTARY INFORMATION

Schedule 1

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

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	$ 172,772	63,411	236,183
Receivables:			
Property tax:			
Delinquent	672	-	672
Succeeding year	80,000	-	80,000
Total assets	$ 253,444	63,411	316,855
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ -	387	387
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	80,000	-	80,000
Fund balances:			
Restricted for:			
Management levy purposes	173,444	-	173,444
Student activities	-	63,024	63,024
Total fund balances	173,444	63,024	236,468
Total liabilities, deferred inflows of resources and fund balances	$ 253,444	63,411	316,855

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

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

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	$ 79,996	-	79,996
Other	3,861	153,035	156,896
State	389	-	389
Total revenues	84,246	153,035	237,281
Expenditures:			
Current:			
Instruction:			
Other	-	138,685	138,685
Support services:			
Administration	29,792	-	29,792
Operation and maintenance of plant	30,075	-	30,075
Total expenditures	59,867	138,685	198,552
Change in fund balances	24,379	14,350	38,729
Fund balances beginning of year	149,065	48,674	197,739
Fund balances end of year	$ 173,444	63,024	236,468

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

KEOTA 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	$ 375,296	12,441	387,737
Receivables:			
Property tax:			
Delinquent	-	431	431
Succeeding year	-	51,831	51,831
Due from other governments	50,865	-	50,865
Total assets	$ 426,161	64,703	490,864
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 2,177	-	2,177
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	51,831	51,831
Fund balances:			
Restricted for:			
School infrastructure	423,984	-	423,984
Physical plant and equipment	-	12,872	12,872
Total fund balances	423,984	12,872	436,856
Total liabilities, deferred inflows of resources and fund balances	$ 426,161	64,703	490,864

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 4

KEOTA 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	$ -	51,342	51,342
Other	11,327	-	11,327
State sources	324,121	250	324,371
Total revenues	335,448	51,592	387,040
Expenditures:			
Current:			
Instruction:			
Regular	-	20,227	20,227
Support services:			
Instructional staff	-	22,770	22,770
Administration	4,908	2,530	7,438
Operation and maintenance of plant	41,455	-	41,455
Transportation	-	1,711	1,711
Capital outlay	735,731	5,408	741,139
Total expenditures	782,094	52,646	834,740
Deficiency of revenues under expenditures	(446,646)	(1,054)	(447,700)
Other financing sources(uses):			
Transfer out	(100,390)	-	(100,390)
Bond Issuance	400,000	-	400,000
Total other financing sources(uses)	299,610	-	299,610
Change in fund balances	(147,036)	(1,054)	(148,090)
Fund balances beginning of year	571,020	13,926	584,946
Fund balances end of year	$ 423,984	12,872	436,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

KEOTA 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
Drama	$	279	2,453	2,725	7
Speech Club		1,454	3,621	4,826	249
Athletics		2,364	27,652	25,657	4,359
Cheerleaders		423	960	1,205	178
FFA		50	42,435	28,911	13,574
FCCLA		3,624	-	-	3,624
LEAP Academy		624	20	260	384
YELL		76	-	-	76
Student Council		781	1,813	1,558	1,036
EagleRock!		60	17,081	17,082	59
Walking Trail		4,708	-	-	4,708
Science Club		7	591	423	175
Model UN		-	713	571	142
Class of 2019		900	-	-	900
Class of 2014		825	-	-	825
Class of 2015		550	1,527	1,580	497
Class of 2016		-	3,150	2,004	1,146
Class of 2017		-	183	-	183
Special Baseball		13,898	5,082	6,365	12,615
Special Boys Track		1,547	250	1,156	641
Special Volleyball		2,699	6,179	3,333	5,545
Special Girls Track		1,022	250	163	1,109
Special Softball		2,904	3,447	4,401	1,950
Special Boys Basketball		4,406	6,989	7,545	3,850
Special Girls Basketball		3,625	3,730	4,345	3,010
Tournament		-	13,361	13,361	-
Special Cross Country		627	828	808	647
Special Golf		1,221	860	546	1,535
Special Concession Stand		-	9,860	9,860	-
Total	$	48,674	153,035	138,685	63,024

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	$ 1,872,334	2,020,004	2,485,705	2,542,432	2,423,188	1,852,518	2,026,385	1,959,570	1,839,674	1,974,821
Tuition	107,728	99,187	95,368	91,035	111,373	85,934	155,633	138,612	107,280	108,707
Other	315,004	442,110	321,629	455,823	324,348	361,245	183,869	230,224	177,562	136,943
State sources	2,136,021	2,004,150	1,551,797	1,506,524	1,466,452	1,132,681	1,323,678	1,266,068	1,277,225	1,267,901
Federal sources	102,145	97,612	101,745	168,224	259,158	243,455	105,781	110,671	116,004	128,459
Total	$ 4,533,232	4,663,063	4,556,244	4,764,038	4,584,519	3,675,833	3,795,346	3,705,145	3,517,745	3,616,831
Expenditures:										
Instruction:										
Regular	$ 1,856,182	1,815,579	1,728,649	1,458,502	1,406,999	1,352,497	1,457,514	1,488,962	1,531,236	1,442,892
Special	454,683	545,876	546,634	484,531	491,733	325,036	321,993	269,783	217,172	281,300
Other	450,642	463,624	505,612	520,490	665,087	609,776	437,364	431,292	460,867	404,984
Support services:										
Student	33,005	18,864	41,512	12,944	16,626	43,367	38,259	37,775	35,443	37,587
Instructional staff	164,209	162,840	188,267	137,421	81,408	118,261	97,256	151,994	110,642	124,557
Administration	435,717	477,600	400,795	419,499	431,642	440,746	425,727	461,481	435,309	366,462
Operation and maintenance of plant	334,267	404,265	274,838	306,734	309,623	324,857	548,799	291,560	305,326	368,869
Transportation	125,407	455,603	141,419	175,075	155,971	168,397	140,824	150,155	124,749	148,309
Non-instructional programs	-	-	3,000	-	460	607	-	-	-	4,492
Capital outlay	741,139	355,193	100,187	35,974	57,561	20,877	66,887	102,539	97,894	62,900
Long-term debt:										
Principal	332,892	282,722	262,359	257,358	247,358	242,358	190,000	221,641	210,270	203,951
Interest	50,346	46,942	54,972	63,411	70,725	73,561	76,193	111,018	119,287	129,107
Other expenditures:										
AEA flow-through	137,188	132,305	120,630	118,555	133,673	131,272	118,474	116,027	112,418	106,197
Total	$ 5,115,677	5,161,413	4,368,874	3,990,494	4,068,866	3,851,612	3,919,290	3,834,227	3,760,613	3,681,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Keota Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Compliance and Other Matters

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

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

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

Keota Community School District's Responses to Findings

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

Purpose of this Report

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

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
Newton, Iowa

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.

2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.

3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

4) Disbursements - purchase order processing, mailing and recording.

5) Wire transfers - processing and approving.

6) Payroll - recording approved pay rates and deductions, recordkeeping, posting and distribution.

7) Financial reporting - preparing, reconciling and approving.

8) Computer systems - performing all general accounting functions and controlling all data input and output.

9) School lunch program - journalizing, posting, reconciling, purchase order processing and check preparation

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

Response - Segregation of duties continues to be a challenge in the central office. We are always looking for new ways to segregate duties in the central office.

Conclusion – Response accepted.

KEOTA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amount budgeted.

II-B-15 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-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.

II-D-15 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike McNurlen, Speech Aide Owns DJ service	Purchased Services	$ 700

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

II-E-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.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the

Code of Iowa were noted.

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

Beginning balance		$ 571,020
Revenues:		
Sales tax revenue	$ 324,121	
Other local revenues	11,327	
Sales of long-term debt	400,000	735,448
		1,306,468
Expenditures/transfers out:		
School infrastructure construction	$ 677,470	
Equipment	81,182	
Other	23,442	
Transfer to other funds		
Debt service fund	100,390	882,484
Ending Balance		$ 423,984

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.

II-M-15 Financial Condition - The District's Enterprise, School Nutrition Fund had a deficit unrestricted net position of $29,483 and a deficit net position of $14,087 at June 30, 2015. The District's governmental activities had a deficit unrestricted net position of $426,150 at June 30, 2015.

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 business manager will present information to the school board and administrators explaining the GASB statements 68 & 71 and how they affect the financial position and why there is a deficit in the school nutrition fund.

Conclusion - Response accepted.

II-N-15 Payroll Authorization - It was noted during the Audit that the District does not maintain documentation for payroll deductions.

Recommendation - District should implement procedures in place to insure that physical documentation is maintained for payroll deductions.

Response - The business manager will have the employees sign a payroll deduction form for all deductions, such as healthcare premiums.

Conclusion - Response accepted.