

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2007 Election)</b>		
Tom Cannon	President	2008
Jerry Schrader	Board Member	2007
Mark Smith	Board Member	2007
Doug Parker	Board Member	2008
Tamie Fahn	Board Member	2009
<b>Board of Education (After September 2007 Election)</b>		
Tom Cannon	President	2008
Mark Smith	Vice President	2010
Doug Parker	Board Member	2008
Tamie Fahn	Board Member	2009
Kevin Petersen	Board Member	2010
<b>School Officials</b>		
Casey Berlau	Superintendent	2008
Tami Jacobsen	District Secretary/ Treasurer	2008
Sue Seitz	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Elk Horn-Kimballton Community School District:

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 the Elk Horn-Kimballton Community School District, Elk Horn, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Elk Horn-Kimballton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2009 on our consideration of the Elk Horn-Kimballton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Elk Horn-Kimballton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2009

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

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Elk Horn-Kimballton 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,406,135 in fiscal 2007 to \$2,485,331 in fiscal 2008, while General Fund expenditures decreased from \$2,380,285 in fiscal 2007 to \$2,611,718 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$396,885 in fiscal 2007 to a balance of \$270,498 in fiscal 2008.
- The increase in General Fund revenues was attributable to increases in state source revenues in fiscal 2008. The increase in expenditures was due primarily to increases in negotiated salaries and benefits. The increase in revenues was less than the increase in expenditures ensuring the decrease in General Fund balance.

### **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 Assets and a Statement of Activities. These provide information about the activities of Elk Horn-Kimballton 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 Elk Horn-Kimballton 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 Elk Horn-Kimballton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

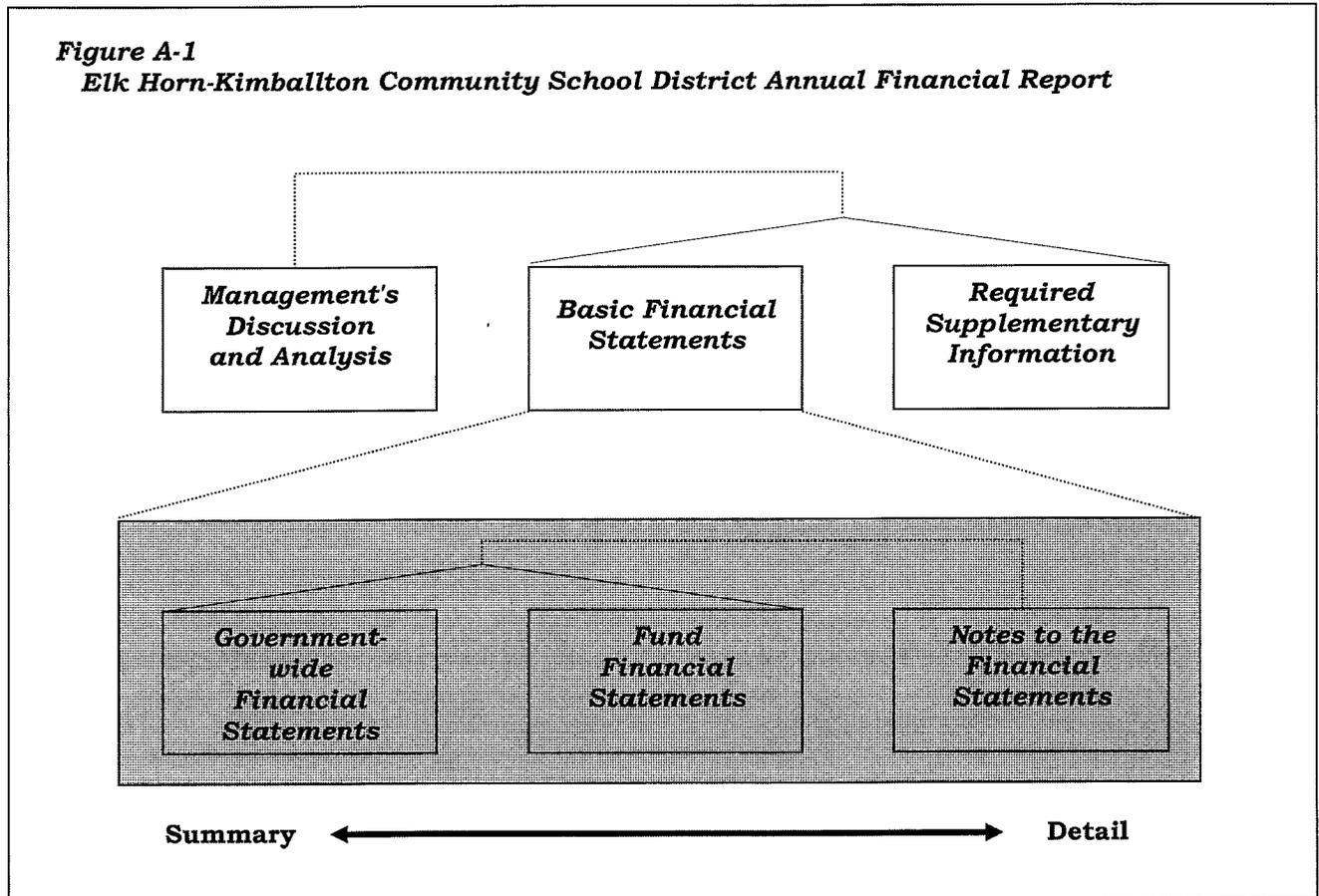


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

**REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

**Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at year end June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,120,496	2,088,797	36,238	42,920	2,156,734	2,131,717	1.17%
Capital assets	3,661,334	3,669,200	11,175	12,399	3,672,509	3,681,599	-0.25%
Total assets	5,781,830	5,757,997	47,413	55,319	5,829,243	5,813,316	0.27%
Long-term obligations	1,230,000	1,366,632	0	0	1,230,000	1,366,632	-10.00%
Other liabilities	1,212,478	1,118,381	11,028	10,400	1,223,506	1,128,781	8.39%
Total liabilities	2,442,478	2,485,013	11,028	10,400	2,453,506	2,495,413	-1.68%
Net assets:							
Invested in capital assets, net of related debt	2,431,334	2,319,200	11,175	12,399	2,442,509	2,331,599	4.76%
Restricted	558,136	476,646	0	0	558,136	476,646	17.10%
Unrestricted	349,882	477,138	25,210	32,520	375,092	509,658	-26.40%
Total net assets	\$ 3,339,352	3,272,984	36,385	44,919	3,375,737	3,317,903	1.74%

The District's combined net assets increased by 1.74%, or \$57,834, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$81,490, or 17.10% over the prior year. The increase was

primarily a result of increases in fund balances by all of the District's governmental funds excluding the General Fund during fiscal 2008.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$134,566, or 26.40%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in total net assets for the years ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 213,166	243,867	67,117	68,235	280,283	312,102	-10.20%
Operating grants and contributions and restricted interest	405,484	323,344	54,144	55,570	459,628	378,914	21.30%
General revenues:							
Property tax	885,442	887,948	0	0	885,442	887,948	-0.28%
Income surtax	126,476	124,207	0	0	126,476	124,207	1.83%
Local option sales and services tax	163,145	170,554	0	0	163,145	170,554	-4.34%
Unrestricted state grants	1,198,137	1,191,937	0	0	1,198,137	1,191,937	0.52%
Other	47,353	33,813	147	173	47,500	33,986	39.76%
Total revenues	3,039,203	2,975,670	121,408	123,978	3,160,611	3,099,648	1.97%
Program expenses:							
Governmental activities:							
Instructional	1,742,987	1,688,732	0	0	1,742,987	1,688,732	3.21%
Support services	954,909	799,535	552	696	955,461	800,231	19.40%
Non-instructional programs	0	3,962	129,390	127,619	129,390	131,581	-1.67%
Other expenses	274,939	275,663	0	0	274,939	275,663	-0.26%
Total expenses	2,972,835	2,767,892	129,942	128,315	3,102,777	2,896,207	7.13%
Changes in net assets	66,368	207,778	(8,534)	(4,337)	57,834	203,441	71.57%
Net assets beginning of year	3,272,984	3,065,206	44,919	49,256	3,317,903	3,114,462	6.53%
Net assets end of year	\$ 3,339,352	3,272,984	36,385	44,919	3,375,737	3,317,903	1.74%

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 78.09% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.88% of the revenue from business type activities.

The District's total revenues were approximately \$3.16 million of which \$3.04 million was for governmental activities and approximately \$0.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.97% increase in revenues and a 7.13% increase in expenses. The increase in revenues was due to increased operating grants and contributions revenues the District received during fiscal 2008. The increases in expenses related to increases in negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$3,039,203 and expenses were \$2,972,835.

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.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,742,987	1,688,732	3.21%	1,215,930	1,210,166	0.48%
Support services	954,909	799,535	19.43%	954,385	798,707	19.49%
Non-instructional	0	3,962	-100.00%	0	3,962	-100.00%
Other expenses	274,939	275,663	-0.26%	183,870	187,846	-2.12%
Totals	\$ 2,972,835	2,767,892	7.40%	2,354,185	2,200,681	6.98%

- The cost financed by users of the District's programs was \$213,166.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$405,484.
- The net cost of governmental activities was financed with \$885,442 in property tax, \$126,476 in income surtax, \$163,145 in local option sales and services tax, \$1,198,137 in unrestricted state grants, \$16,474 in interest income and \$30,879 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$121,408 and expenses were \$129,942. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Elk Horn-Kimballton 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 \$816,615, below last year's ending fund balances of \$886,681. However, the primary reason for the decrease in ending fund balances could be attributable to the decrease in the General Fund balance in fiscal 2008.

## Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. Increase in state grants resulted in an increase in revenues. The District's increase in General Fund expenditures was tied to increases in negotiated salaries and benefits. The increase in expenditures was greater than the increase in revenues ensuring the decrease in the financial position of the District.
- The Capital Projects fund balance increased from \$291,829 in 2007 to \$310,982 in 2008, due to a decrease in capital project expenditures. This fund also showed a decrease in local option sales and services tax revenue compared to prior year of \$7,409.

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- The Management fund balance increased from \$68,531 to \$79,628. The expenditures decreased for the year and it was the final payout of early retirement incentives liabilities.
  - The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$56,372 to \$75,466, due to the proceeds from disposal of property during the year.
  - The Debt Service fund balance increased from \$26,796 in 2007 to \$30,706, due to the normal annual payments of debt principal and interest.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$44,919 at June 30, 2007 to \$36,385 at June 30, 2008, representing a decrease of 19.00%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$32,408 more than budgeted revenues, a variance of 1.04%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2008, the District had invested \$3.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of .25% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$136,519.

The original cost of the District's capital assets was \$6,130,769. Governmental funds account for \$6,036,365 with the remainder of \$94,404 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$3,490,221 at June 30, 2007, compared to \$3,462,638 reported at June 30, 2008. This decrease was due to current depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 75,000	75,000	0	0	75,000	75,000	0.00%
Buildings	3,462,638	3,490,221	0	0	3,462,638	3,490,221	-0.80%
Land improvements	37,721	37,671	0	0	37,721	37,671	0.13%
Machinery and equipment	85,975	66,308	11,175	12,399	97,150	78,707	18.98%
Total	\$ 3,661,334	3,669,200	11,175	12,399	3,672,509	3,681,599	-0.25%

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$1,230,000 in general obligation liabilities. This represents a decrease of 10.00% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,230,000 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,230,000	1,350,000	-8.89%
Early retirement	0	16,632	-100.00%
Total	\$ 1,230,000	1,366,632	-10.00%

### 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:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tami Jacobsen, Board Secretary/Treasurer, Elk Horn-Kimballton Community School District, 4114 Madison Street, Elk Horn, Iowa, 51531.

BASIC FINANCIAL STATEMENTS

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Business-type		Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and pooled investments	\$ 951,546	32,970	984,516
Receivables:			
Property tax:			
Delinquent	17,112	0	17,112
Succeeding year	978,340	0	978,340
Income surtax	102,977	0	102,977
Accounts	909	0	909
Due from other governments	69,612	0	69,612
Inventories	0	3,268	3,268
Capital assets, net of accumulated depreciation (Note 4)	3,661,334	11,175	3,672,509
<b>TOTAL ASSETS</b>	<b>5,781,830</b>	<b>47,413</b>	<b>5,829,243</b>
<b>LIABILITIES</b>			
Salaries and benefits payable	222,564	9,397	231,961
Interest payable	11,574	0	11,574
Deferred revenue:			
Succeeding year property tax	978,340	0	978,340
Unearned revenue	0	1,631	1,631
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	130,000	0	130,000
Portion due after one year:			
General obligation bonds	1,100,000	0	1,100,000
<b>TOTAL LIABILITIES</b>	<b>2,442,478</b>	<b>11,028</b>	<b>2,453,506</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,431,334	11,175	2,442,509
Restricted for:			
Debt service	30,706	0	30,706
Beginning teacher mentoring	1,634	0	1,634
Additional teacher contract day	286	0	286
Market factor	1,734	0	1,734
Model core curriculum	4,000	0	4,000
Professional development	2,144	0	2,144
Market factor incentives	2,221	0	2,221
Capital projects	310,982	0	310,982
Management levy	79,628	0	79,628
Physical plant and equipment levy	75,466	0	75,466
Other special revenue purposes	49,335	0	49,335
Unrestricted	349,882	25,210	375,092
<b>TOTAL NET ASSETS</b>	<b>\$ 3,339,352</b>	<b>36,385</b>	<b>3,375,737</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Gov- ern- mental Activities	Busi- ness- Type Activities	Total
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
<b>Instruction:</b>						
Regular instruction	\$ 1,108,835	100,324	275,884	(732,627)	0	(732,627)
Special instruction	209,656	0	38,504	(171,152)	0	(171,152)
Other instruction	424,496	112,318	27	(312,151)	0	(312,151)
	<u>1,742,987</u>	<u>212,642</u>	<u>314,415</u>	<u>(1,215,930)</u>	<u>0</u>	<u>(1,215,930)</u>
<b>Support services:</b>						
Student services	50,985	0	0	(50,985)	0	(50,985)
Instructional staff services	144,404	0	0	(144,404)	0	(144,404)
Administration services	307,844	0	0	(307,844)	0	(307,844)
Operation and maintenance of plant services	303,153	0	0	(303,153)	0	(303,153)
Transportation services	148,523	524	0	(147,999)	0	(147,999)
	<u>954,909</u>	<u>524</u>	<u>0</u>	<u>(954,385)</u>	<u>0</u>	<u>(954,385)</u>
<b>Other expenditures:</b>						
Long-term debt interest	75,441	0	0	(75,441)	0	(75,441)
AEA flowthrough	91,069	0	91,069	0	0	0
Depreciation(unallocated)*	108,429	0	0	(108,429)	0	(108,429)
	<u>274,939</u>	<u>0</u>	<u>91,069</u>	<u>(183,870)</u>	<u>0</u>	<u>(183,870)</u>
<b>Total governmental activities</b>	<b>2,972,835</b>	<b>213,166</b>	<b>405,484</b>	<b>(2,354,185)</b>	<b>0</b>	<b>(2,354,185)</b>
<b>Business-type activities:</b>						
<b>Support services:</b>						
Administration services	200	0	0	0	(200)	(200)
Operation and maintenance of plant services	352	0	0	0	(352)	(352)
<b>Non-instructional programs:</b>						
Nutrition services	129,390	67,117	54,144	0	(8,129)	(8,129)
<b>Total business-type activities</b>	<b>129,942</b>	<b>67,117</b>	<b>54,144</b>	<b>0</b>	<b>(8,681)</b>	<b>(8,681)</b>
<b>Total</b>	<b>\$ 3,102,777</b>	<b>280,283</b>	<b>459,628</b>	<b>(2,354,185)</b>	<b>(8,681)</b>	<b>(2,362,866)</b>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 728,237	0	728,237
Debt services				134,097	0	134,097
Capital outlay				23,108	0	23,108
Income surtax				126,476	0	126,476
Local option sales and service tax				163,145	0	163,145
Unrestricted state grants				1,198,137	0	1,198,137
Unrestricted investment earnings				16,474	147	16,621
Other				30,879	0	30,879
<b>Total general revenues</b>				<b>2,420,553</b>	<b>147</b>	<b>2,420,700</b>
Changes in net assets				66,368	(8,534)	57,834
Net assets beginning of year				3,272,984	44,919	3,317,903
Net assets end of year				<b>\$ 3,339,352</b>	<b>36,385</b>	<b>3,375,737</b>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 467,751	253,248	230,547	951,546
Receivables:				
Property tax				
Delinquent	12,928	0	4,184	17,112
Succeeding year	748,354	0	229,986	978,340
Income surtax	73,555	0	29,422	102,977
Accounts	505	0	404	909
Due from other governments	11,878	57,734	0	69,612
<b>TOTAL ASSETS</b>	<b>\$ 1,314,971</b>	<b>310,982</b>	<b>494,543</b>	<b>2,120,496</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries and benefits payable	\$ 222,564	0	0	222,564
Deferred revenue:				
Succeeding year property tax	748,354	0	229,986	978,340
Income surtax	73,555	0	29,422	102,977
<b>Total liabilities</b>	<b>1,044,473</b>	<b>0</b>	<b>259,408</b>	<b>1,303,881</b>
Fund balances:				
Reserved for:				
Debt service	0	0	30,706	30,706
Beginning teacher mentoring	1,634	0	0	1,634
Additional teacher contract day	286	0	0	286
Market factor	1,734	0	0	1,734
Model core curriculum	4,000	0	0	4,000
Professional development	2,144	0	0	2,144
Market factor incentives	2,221	0	0	2,221
Unreserved:				
Undesignated	258,479	310,982	204,429	773,890
<b>Total fund balances</b>	<b>270,498</b>	<b>310,982</b>	<b>235,135</b>	<b>816,615</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,314,971</b>	<b>310,982</b>	<b>494,543</b>	<b>2,120,496</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

<b>Total fund balances of governmental funds (page 16)</b>	\$	816,615
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,661,334
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,574)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		102,977
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,230,000)</u>
<b>Net assets of governmental activities (page 14)</b>	<b>\$</b>	<b><u>3,339,352</u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 748,285	163,145	257,165	1,168,595
Tuition	84,598	0	0	84,598
Other	47,893	5,260	122,795	175,948
State sources	1,475,803	0	0	1,475,803
Federal sources	127,791	0	0	127,791
Total revenues	<u>2,484,370</u>	<u>168,405</u>	<u>379,960</u>	<u>3,032,735</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,107,619	0	6,459	1,114,078
Special instruction	209,656	0	0	209,656
Other instruction	322,337	0	110,577	432,914
	<u>1,639,612</u>	<u>0</u>	<u>117,036</u>	<u>1,756,648</u>
Support services:				
Student services	50,985	0	0	50,985
Instructional staff services	122,880	0	21,524	144,404
Administration services	307,844	0	6,459	314,303
Operation and maintenance of plant services	242,265	0	38,471	280,736
Transportation services	157,063	0	5,521	162,584
	<u>881,037</u>	<u>0</u>	<u>71,975</u>	<u>953,012</u>
Other expenditures:				
Facilities acquisitions	0	84,252	36,741	120,993
Long-term debt:				
Principal	0	0	120,000	120,000
Interest and fiscal charges	0	0	76,641	76,641
AEA flowthrough	91,069	0	0	91,069
	<u>91,069</u>	<u>84,252</u>	<u>233,382</u>	<u>408,703</u>
Total expenditures	<u>2,611,718</u>	<u>84,252</u>	<u>422,393</u>	<u>3,118,363</u>
Excess(deficiency) of revenues over(under) expenditures	(127,348)	84,153	(42,433)	(85,628)
Other financing sources(uses):				
Transfers in	0	0	65,000	65,000
Transfers out	0	(65,000)	0	(65,000)
Proceeds from the disposal of property	961	0	14,601	15,562
Total other financing sources(uses)	<u>961</u>	<u>(65,000)</u>	<u>79,601</u>	<u>15,562</u>
Net change in fund balances	(126,387)	19,153	37,168	(70,066)
Fund balance beginning of year	<u>396,885</u>	<u>291,829</u>	<u>197,967</u>	<u>886,681</u>
Fund balance end of year	<u>\$ 270,498</u>	<u>310,982</u>	<u>235,135</u>	<u>816,615</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON 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, 2008

Net change in fund balances - total governmental funds(page 18) \$ (70,066)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense in the current year, is as follows:

Capital expenditures	\$ 127,403	
Depreciation expense	(133,307)	
Loss on disposal of capital assets	<u>(1,962)</u>	(7,866)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,200

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,468

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

Early retirement	<u>16,632</u>	
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Changes in net assets of governmental activities(page 15) \$ 66,368

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 32,970
Inventories	3,268
Capital assets, net of accumulated depreciation(Note 4)	11,175
TOTAL ASSETS	<u>47,413</u>
LIABILITIES	
Salaries and benefits payable	9,397
Unearned revenues	1,631
TOTAL LIABILITES	<u>11,028</u>
NET ASSETS	
Invested in capital assets	11,175
Unrestricted	25,210
TOTAL NET ASSETS	<u>\$ 36,385</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 67,117
TOTAL OPERATING REVENUES	67,117
OPERATING EXPENSES:	
Support services:	
Administration services:	
Services	200
Operation and maintenance of plant services:	
Services	352
Total support services:	552
Non-instructional programs:	
Food service operations:	
Salaries	42,840
Benefits	19,008
Services	871
Supplies	63,459
Depreciation	3,212
Total non-instructional programs	129,390
TOTAL OPERATING EXPENSES	129,942
OPERATING LOSS	(62,825)
NON-OPERATING REVENUES:	
Interest income	147
State sources	1,838
Federal sources	52,306
TOTAL NON-OPERATING REVENUES	54,291
Change in net assets	(8,534)
Net assets at beginning of year	44,919
Net assets end of year	\$ 36,385

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 66,836
Cash received from miscellaneous operating activities	612
Cash payments to employees for services	(61,551)
Cash payments to suppliers for goods or services	(56,163)
Net cash used in operating activities	<u>(50,266)</u>
Cash flows from non-capital financing activities:	
State grants received	1,838
Federal grants received	43,919
Net cash provided by non-capital financing activities	<u>45,757</u>
Cash flows from investing activities:	
Interest on investments	147
Net cash provided by investing activities	<u>147</u>
Cash flows from capital financing activities:	
Purchase of assets	(1,988)
Net cash used in financing activities	<u>(1,988)</u>
Net decrease in cash and cash equivalents	(6,350)
Cash and cash equivalents at beginning of year	<u>39,320</u>
Cash and cash equivalents at end of year	<u>\$ 32,970</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,825)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,387
Depreciation	3,212
Decrease in inventories	332
Increase in salaries and benefits payable	297
Increase in unearned revenue	331
Net cash used in operating activities	<u>\$ (50,266)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 32,970</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received  
 Federal commodities valued at \$8,387.  
 SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2008

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 371,039	12,566
TOTAL ASSETS	<u>371,039</u>	<u>12,566</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to other groups	<u>0</u>	<u>12,566</u>
Net assets:		
Reserved for scholarships	371,039	0
TOTAL NET ASSETS	<u>\$ 371,039</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 2,000
Interest income	13,351
TOTAL ADDITIONS	<u>15,351</u>
DEDUCTIONS:	
Instruction:	
Scholarship awarded	<u>22,200</u>
Change in net assets	(6,849)
Net assets beginning of year	<u>377,888</u>
Net assets end of year	<u>\$ 371,039</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

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

The Elk Horn-Kimballton 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 Cities of Elk Horn and Kimballton, Iowa, and the predominate agricultural territory in Cass, Audubon and Shelby 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, Elk Horn-Kimballton 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 Elk Horn-Kimballton 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 Cass, Audubon and Shelby County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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 assets. 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

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

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

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the district in the District's name. Certificates of deposit are stated at fair value.

At June 30, 2008, the District had investments in certificates of deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 401,114

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

### (3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 65,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,000	0	0	75,000
Total capital assets not being depreciated	75,000	0	0	75,000
Capital assets being depreciated:				
Buildings	5,104,144	78,416	0	5,182,560
Land improvements	46,128	2,480	0	48,608
Machinery and equipment	702,259	46,507	18,569	730,197
Total capital assets being depreciated	5,852,531	127,403	18,569	5,961,365
Less accumulated depreciation for:				
Buildings	1,613,923	105,999	0	1,719,922
Land improvements	8,457	2,430	0	10,887
Machinery and equipment	635,951	24,878	16,607	644,222
Total accumulated depreciation	2,258,331	133,307	16,607	2,375,031
Total capital assets being depreciated, net	3,594,200	(5,904)	1,962	3,586,334
Governmental activities capital assets, net	\$ 3,669,200	(5,904)	1,962	3,661,334

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 92,416	1,988	0	94,404
Less accumulated depreciation	80,017	3,212	0	83,229
Business-type activities capital assets, net	\$ 12,399	(1,224)	0	11,175

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,930
Other		2,104
Support services:		
Operation and maintenance of plant		2,905
Transportation		14,939
		<u>24,878</u>
Unallocated depreciation		<u>108,429</u>
Total governmental activities depreciation expense		<u>\$ 133,307</u>
Business-type activities:		
Food services		<u>\$ 3,212</u>

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,350,000	0	120,000	1,230,000	130,000
Early retirement	16,632	0	16,632	0	0
Total	\$ 1,366,632	0	136,632	1,230,000	130,000

#### General Obligation

Details of the District's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated May 1, 2000			
	Interest Rate	Principal	Interest	Total
2009	6.000 %	\$ 130,000	69,441	199,441
2010	5.625	105,000	61,641	166,641
2011	5.300	75,000	55,735	130,735
2012	5.400	80,000	51,760	131,760
2013	5.500	85,000	47,440	132,440
2014-2018	5.60-5.70	510,000	160,345	670,345
2018-2020	5.70-5.80	245,000	21,340	266,340
Total		<u>\$ 1,230,000</u>	<u>467,702</u>	<u>1,697,702</u>

#### Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives paid by the District include the premiums for a single health insurance coverage policy, with a maximum of \$350 per month. Early retirement benefits paid during the year ended June 30, 2008, totaled \$16,632.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for years ended June 30, 2008. Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$93,902, \$81,251 and \$84,237 respectively, equal to the required contributions for each year.

#### **(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, life and long-term

disability. District contributions to ISEBA for the year ended June 30, 2008 were \$146,666.

Elk Horn-Kimballton 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.

**(8) 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 \$91,069 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 1,429,141	67,264	1,496,405	1,475,687	1,475,687	20,718
State sources	1,475,803	1,838	1,477,641	1,484,048	1,484,048	(6,407)
Federal sources	127,791	52,306	180,097	162,000	162,000	18,097
Total revenues	<u>3,032,735</u>	<u>121,408</u>	<u>3,154,143</u>	<u>3,121,735</u>	<u>3,121,735</u>	<u>32,408</u>
<b>Expenditures:</b>						
Instruction	1,756,648	0	1,756,648	1,814,323	1,814,323	57,675
Support services	953,012	552	953,564	1,094,446	1,094,446	140,882
Non-instructional programs	0	129,390	129,390	196,056	196,056	66,666
Other expenditures	408,703	0	408,703	464,723	464,723	56,020
Total expenditures	<u>3,118,363</u>	<u>129,942</u>	<u>3,248,305</u>	<u>3,569,548</u>	<u>3,569,548</u>	<u>321,243</u>
Deficiency of revenues under expenditures	(85,628)	(8,534)	(94,162)	(447,813)	(447,813)	353,651
Other financing sources, net	15,562	0	15,562	108,000	108,000	(92,438)
Deficiency of revenues and other financing sources under expenditures	(70,066)	(8,534)	(78,600)	(339,813)	(339,813)	261,213
Balance beginning of year	886,681	44,919	931,600	835,018	835,018	96,582
Balance end of year	<u>\$ 816,615</u>	<u>36,385</u>	<u>853,000</u>	<u>495,205</u>	<u>495,205</u>	<u>357,795</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. 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 at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 78,460	48,931	75,023	202,414	28,133	230,547
Receivables:						
Property tax:						
Current year delinquent	1,168	0	443	1,611	2,573	4,184
Succeeding year	65,000	0	28,664	93,664	136,322	229,986
Income surtax	0	0	29,422	29,422	0	29,422
Accounts	0	404	0	404	0	404
<b>TOTAL ASSETS</b>	<b>\$ 144,628</b>	<b>49,335</b>	<b>133,552</b>	<b>327,515</b>	<b>167,028</b>	<b>494,543</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 65,000	0	28,664	93,664	136,322	229,986
Income surtax	0	0	29,422	29,422	0	29,422
	65,000	0	58,086	123,086	136,322	259,408
Fund balances:						
Reserved for:						
Debt service						
Unreserved:	0	0	0	0	30,706	30,706
Undesignated						
Total fund balances	79,628	49,335	75,466	204,429	0	204,429
	79,628	49,335	75,466	204,429	30,706	235,135
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 144,628</b>	<b>49,335</b>	<b>133,552</b>	<b>327,515</b>	<b>167,028</b>	<b>494,543</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Fund				Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 60,357	0	62,711	123,068	134,097	257,165
Other	6,488	113,644	1,209	121,341	1,454	122,795
TOTAL REVENUES	66,845	113,644	63,920	244,409	135,551	379,960
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	6,459	0	0	6,459	0	6,459
Other instruction	0	110,577	0	110,577	0	110,577
Support services:						
Instructional staff services	0	0	21,524	21,524	0	21,524
Administration services	6,459	0	0	6,459	0	6,459
Operation and maintenance of plant services	37,309	0	1,162	38,471	0	38,471
Transportation services	5,521	0	0	5,521	0	5,521
Other expenditures:						
Facilities acquisition	0	0	36,741	36,741	0	36,741
Long-term debt:						
Principal	0	0	0	0	120,000	120,000
Interest and fiscal charges	0	0	0	0	76,641	76,641
TOTAL EXPENDITURES	55,748	110,577	59,427	225,752	196,641	422,393
Excess(deficiency) of revenues over(under) expenditures	11,097	3,067	4,493	18,657	(61,090)	(42,433)
Other financing sources:						
Transfers in	0	0	0	0	65,000	65,000
Proceeds from disposal of property	0	0	14,601	14,601	0	14,601
Total other financing sources	0	0	14,601	14,601	65,000	79,601
Excess of revenues and other financing sources over expenditures	11,097	3,067	19,094	33,258	3,910	37,168
Fund balance beginning of year	68,531	46,268	56,372	171,171	26,796	197,967
Fund balance end of year	\$ 79,628	49,335	75,466	204,429	30,706	235,135

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech/drama	\$ 3,668	1,813	3,488	1,993
Vocal music	408	1,110	1,281	237
Instrumental music	946	936	1,066	816
Athletics	29,538	8,414	3,884	34,068
Boys/girls golf	0	900	900	0
Boys basketball	0	8,849	8,849	0
Football	0	6,315	6,315	0
Baseball	0	4,100	4,100	0
Boys track	0	2,777	2,777	0
Wrestling	0	1,125	1,125	0
Girls basketball	0	4,346	4,346	0
Volleyball	0	3,795	3,795	0
Softball	0	3,200	3,200	0
Girls track	0	1,016	1,016	0
Interest	0	253	253	0
Change	100	0	0	100
Vocational education resale	0	124	124	0
Freshman class	9	6	0	15
Sophomore class	28	381	5	404
Junior class	413	8,410	7,975	848
Senior class	0	2,839	2,839	0
Science club	170	0	0	170
Elementary special education	39	0	0	39
Book fair	552	1,416	1,345	623
M.S. TAG	157	0	0	157
DC trip account	482	0	355	127
Art club	114	215	37	292
Drill team	0	790	409	381
Annual	2,342	5,215	7,363	194
Cheerleaders	48	3,236	1,917	1,367
FFA	3,905	13,273	14,323	2,855
National honor society	243	816	0	1,059
Student council	2,512	6,232	6,783	1,961
Elementary student council	150	891	523	518
Leadership	224	1,274	607	891
Elementary resale	0	2,346	2,346	0
Athletic concession	0	13,149	13,149	0
Athletic resale	0	2,472	2,472	0
District football	220	0	0	220
Preschool	0	1,610	1,610	0
Total	\$ 46,268	113,644	110,577	49,335

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 100,515	10,223	1,040	259,261	371,039
<b>TOTAL ASSETS</b>	100,515	10,223	1,040	259,261	371,039
<b>LIABILITIES</b>					
	0	0	0	0	0
<b>NET ASSETS</b>					
Reserved for scholarships	\$ 100,515	10,223	1,040	259,261	371,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				Total
	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
ADDITIONS:					
Local sources:					
Gifts and contributions	\$ 0	0	2,000	0	2,000
Interest income	2,568	405	0	10,378	13,351
	<u>2,568</u>	<u>405</u>	<u>2,000</u>	<u>10,378</u>	<u>15,351</u>
DEDUCTIONS:					
Instruction:					
Regular instruction:					
Scholarships awarded	3,500	500	1,000	17,200	22,200
Changes in net assets	(932)	(95)	1,000	(6,822)	(6,849)
Net assets beginning of year	101,447	10,318	40	266,083	377,888
Net assets end of year	<u>\$ 100,515</u>	<u>10,223</u>	<u>1,040</u>	<u>259,261</u>	<u>371,039</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Washington DC Trip</b>				
<b>ASSETS:</b>				
Cash and pooled investments	\$ 18,895	18,275	24,604	12,566
<b>LIABILITIES:</b>				
Due to other groups	\$ 18,895	18,275	24,604	12,566

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>								
Local sources:								
Local tax	\$ 1,168,595	1,175,179	1,086,481	1,072,688	1,075,598	1,009,188	955,052	942,090
Tuition	84,598	109,082	82,357	71,362	64,620	44,888	40,521	42,691
Other	175,948	181,170	213,359	172,011	189,199	185,103	322,869	414,792
Intermediate sources	0	0	0	3,654	3,724	4,076	8,478	0
State sources	1,475,803	1,417,074	1,352,854	1,293,271	1,258,812	1,346,245	1,333,565	1,292,098
Federal sources	127,791	96,707	97,399	93,308	142,586	65,327	60,050	290,784
<b>Total</b>	<b>\$ 3,032,735</b>	<b>2,979,212</b>	<b>2,832,450</b>	<b>2,706,294</b>	<b>2,734,539</b>	<b>2,654,827</b>	<b>2,720,535</b>	<b>2,982,455</b>
<b>Expenditures:</b>								
Instruction:								
Regular instruction	\$ 1,114,078	1,079,688	956,796	896,033	1,041,208	986,592	1,000,698	937,988
Special instruction	209,656	259,463	162,069	224,310	200,496	192,647	163,315	213,176
Other instruction	432,914	360,725	490,688	413,418	316,805	316,295	363,376	345,672
Support services:								
Student services	50,985	150	41,975	48,006	49,912	49,164	50,822	48,976
Instructional staff services	144,404	98,958	116,993	128,037	51,224	57,703	46,448	62,748
Administration services	314,303	326,237	413,472	345,495	320,360	312,188	305,475	264,527
Operation and maintenance of plant services	280,736	264,301	248,328	243,046	234,692	226,987	235,965	216,253
Transportation services	162,584	110,929	111,328	165,618	90,764	76,936	132,509	69,617
Other support services	0	0	0	6,927	21,345	15,601	15,783	6,805
Non-instructional programs:								
Food service operations	0	3,962	4,200	6,702	6,156	5,893	7,308	6,792
Other expenditures:								
Facilities acquisitions	120,993	62,816	60,005	22,093	42,191	108,623	1,073,713	1,672,368
Long-term debt:								
Principal	120,000	115,000	110,000	100,000	95,000	90,000	85,000	105,000
Interest	76,641	83,541	90,541	96,141	101,841	107,241	112,342	118,791
AEA flow-through	91,069	87,817	85,228	84,404	86,147	93,721	93,478	95,936
<b>Total</b>	<b>\$ 3,118,363</b>	<b>2,853,587</b>	<b>2,891,623</b>	<b>2,780,230</b>	<b>2,658,141</b>	<b>2,639,591</b>	<b>3,686,232</b>	<b>4,164,649</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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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  
Elk Horn-Kimballton Community School District:

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 Elk Horn-Kimballton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 13, 2009. 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.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Elk Horn-Kimballton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Elk Horn-Kimballton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Elk Horn-Kimballton Community School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Elk Horn-Kimballton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Elk Horn-Kimballton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Elk Horn-Kimballton Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Elk Horn-Kimballton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

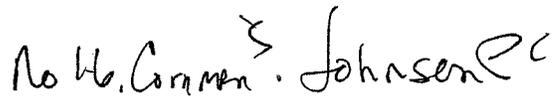
As part of obtaining reasonable assurance about whether Elk Horn-Kimballton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2008 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.

Elk Horn-Kimballton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Elk Horn-Kimballton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Elk Horn-Kimballton Community School District and other parties to whom Elk Horn-Kimballton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2009

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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 - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-08 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District policy on credit card usage will be reviewed by administration. Detailed receipts will be provided for every purchase where the credit card is used. Credit card statements and receipts will be shared with the school board.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 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-08 Business Transactions - No business transactions between the District and District officials were noted.

Name, Title and Business Connection	Transaction Description	Amount
Gene Mardesen, Bus Driver Owner of G&S Service	Repairs and supplies	\$1,662

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the bus driver do not appear to represent a conflict of interest.

- II-E-08 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-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student. The number of tuitioned out students was understated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

- II-H-08 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-I-08 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-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will research and take care of outstanding checks in the appropriate manner.

Conclusion - Response accepted.