

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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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 2008 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>Board of Education (After September 2008 Election)</b>		
Tom Cannon	President	2009*
Mark Smith	Vice President	2011*
Doug Parker	Board Member	2011*
Tamie Fahn	Board Member	2009
Kevin Petersen	Board Member	2009*
<b>School Officials</b>		
Casey Berlau	Superintendent	2009
Tami Jacobsen	District Secretary/ Treasurer	2009
Drew Bracken	Attorney	2009

\* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
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, 2009, 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 Elk Horn-Kimballton Community School District at June 30, 2009, 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.

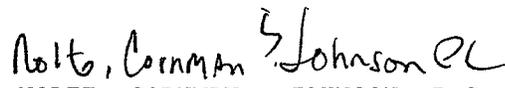
In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2009 on our consideration of the Elk Horn-Kimballton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 36 through 37 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 opinions 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 the eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, 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.

December 16, 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,485,331 in fiscal 2008 to \$2,613,263 in fiscal 2009, while General Fund expenditures decreased from \$2,611,718 in fiscal 2008 to \$2,584,659 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$270,498 in fiscal 2008 to a balance of \$299,102 in fiscal 2009.
- The increase in General Fund revenues was attributable to increases in local source revenues in fiscal 2009. The decrease in expenditures was due primarily to decreases in support services expenditures. The increase in revenues combined with the decrease in expenditures contributed to the increase 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 governmental funds.

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

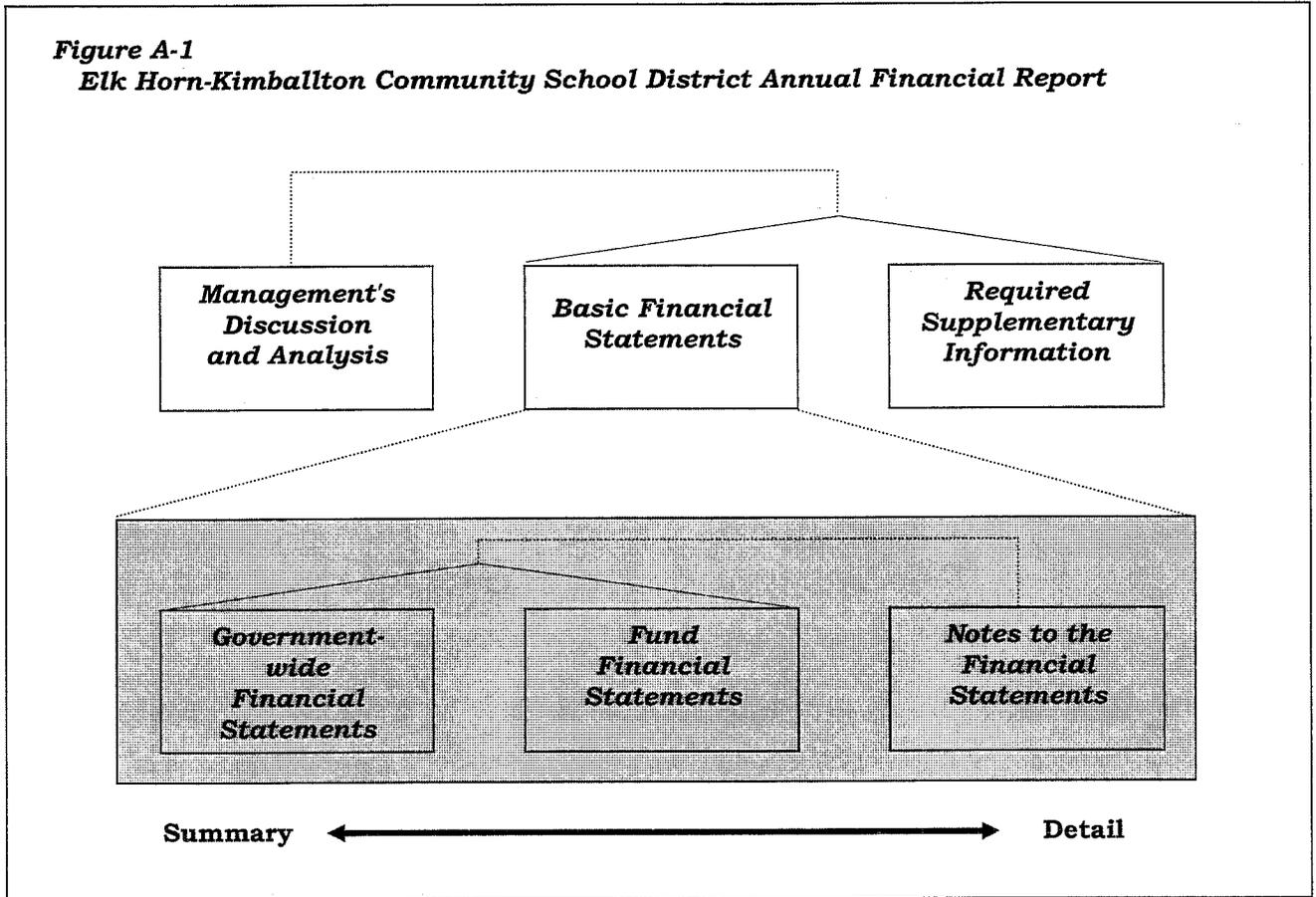


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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
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 net assets</li> <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, the Special Revenue Funds, the Capital Projects Funds, and the Debt Service Fund.

The required financial statements for 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 proprietary funds include a statement of net assets, 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. These funds include Private-Purpose Trust and Agency Funds.

- 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 a statement of fiduciary net assets and a 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, 2009 compared to June 30, 2008.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 2,516,451	2,120,496	40,309	36,238	2,556,760	2,156,734	18.55%
Capital assets	3,539,619	3,661,334	14,876	11,175	3,554,495	3,672,509	-3.21%
Total assets	6,056,070	5,781,830	55,185	47,413	6,111,255	5,829,243	4.84%
Long-term liabilities	1,268,675	1,230,000	0	0	1,268,675	1,230,000	3.14%
Other liabilities	1,480,319	1,212,478	11,122	11,028	1,491,441	1,223,506	21.90%
Total liabilities	2,748,994	2,442,478	11,122	11,028	2,760,116	2,453,506	12.50%
Net assets:							
Invested in capital assets, net of related debt	2,282,449	2,431,334	14,876	11,175	2,297,325	2,442,509	-5.94%
Restricted	635,060	558,136	0	0	635,060	558,136	13.78%
Unrestricted	389,567	349,882	29,187	25,210	418,754	375,092	11.64%
Total net assets	\$ 3,307,076	3,339,352	44,063	36,385	3,351,139	3,375,737	-0.73%

The District's combined net assets decreased by 0.73%, or \$24,598, from the prior year. The largest portion of the District's net assets 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 resources 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 \$76,924, or 13.78% over the prior year. The increase was primarily a result of increases in fund balances by all of the District's governmental funds.

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 – increased \$43,662, or 11.64%. This increase in unrestricted net assets was primarily a result of the District’s increase in the General Fund balance.

Figure A-4 shows the changes in total net assets for the years ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 243,406	213,166	72,416	67,117	315,822	280,283	12.68%
Operating grants, contributions and restricted interest	449,080	405,484	63,722	54,144	512,802	459,628	11.57%
General revenues:							
Property tax	958,019	885,442	0	0	958,019	885,442	8.20%
Income surtax	156,978	126,476	0	0	156,978	126,476	24.12%
Statewide sales and services tax	162,065	163,145	0	0	162,065	163,145	-0.66%
Unrestricted state grants	1,161,788	1,198,137	0	0	1,161,788	1,198,137	-3.03%
Unrestricted investment earnings	13,824	16,474	73	147	13,897	16,621	-16.39%
Other	231,632	30,879	0	0	231,632	30,879	650.13%
Transfers	(6,895)	0	6,895	0	0	0	0.00%
Total revenues and transfers	3,369,897	3,039,203	143,106	121,408	3,513,003	3,160,611	11.15%
Program expenses:							
Governmental activities:							
Instructional	1,824,568	1,742,987	0	0	1,824,568	1,742,987	4.68%
Support services	1,038,183	954,909	225	552	1,038,408	955,461	8.68%
Non-instructional programs	0	0	135,203	129,390	135,203	129,390	4.49%
Other expenses	539,422	274,939	0	0	539,422	274,939	96.20%
Total expenses	3,402,173	2,972,835	135,428	129,942	3,537,601	3,102,777	14.01%
Changes in net assets	(32,276)	66,368	7,678	(8,534)	(24,598)	57,834	142.53%
Net assets beginning of year	3,339,352	3,272,984	36,385	44,919	3,375,737	3,317,903	1.74%
Net assets end of year	\$ 3,307,076	3,339,352	44,063	36,385	3,351,139	3,375,737	-0.73%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 72.37% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.13% of the revenue from business type activities.

The District’s total revenues were approximately \$3.51 million of which \$3.37 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.15% increase in revenues and a 14.01% increase in expenses. The increase in revenues was due to increased operating grants and contributions revenues the District received during fiscal 2009. The increases in expenses is related to increases in negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$3,369,897 and expenses were \$3,402,173 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 1,824,568	1,742,987	4.68%	1,228,774	1,215,930	1.06%
Support services	1,038,183	954,909	8.72%	1,038,155	954,385	8.78%
Other expenses	539,422	274,939	96.20%	442,758	183,870	140.80%
Totals	<u>\$ 3,402,173</u>	<u>2,972,835</u>	<u>14.44%</u>	<u>2,709,687</u>	<u>2,354,185</u>	<u>15.10%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$243,406.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$449,080.
- The net cost of governmental activities was financed with \$958,019 in property tax, \$156,978 in income surtax, \$162,065 in statewide sales and services tax, \$1,161,788 in unrestricted state grants, \$13,824 in interest income and \$231,632 in other general revenues.

## Business Type Activities

Revenues of business type activities for the year ended June 30, 2009 were \$143,106 representing a 17.87% increase over the prior year, while expenses totaled \$135,428, a 4.22% increase over the prior year. 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 \$926,583, above last year's ending fund balances of \$816,615. However, the primary reason for the increase in ending fund balances could be attributable to the increases in the General Fund and Special Revenue Management Levy Fund balances in fiscal 2009.

## Governmental Fund Highlights

- The District's increase 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

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revenues along with the decrease in expenditures ensured the increase in the financial position of the District.

- The Capital Projects fund balance increased from \$310,892 in 2008 to \$356,937 in 2009, due to a decrease in capital project expenditures.
- The Special Revenue, Management Fund balance increased from \$79,628 to \$109,619. This increase was due primarily to the decrease in expenditures from the prior year.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$75,466 to \$78,565, due to the proceeds from a capital lease during the year.
- The Debt Service Fund balance increased from \$30,706 in 2008 to \$31,864 in 2009, due to the normal annual payments of debt principal and interest.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$36,385 at June 30, 2008 to \$44,063 at June 30, 2009, representing an increase of 21.10%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$76,958 less than budgeted revenues, a variance of 2.29%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due 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, 2009, the District had invested \$3.5 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 3.21% from the prior year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$137,765.

The original cost of the District's capital assets was \$5,940,480. Governmental funds account for \$5,839,181 with the remainder of \$101,299 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$97,150 at June 30, 2008, compared to \$86,257 reported at June 30, 2009. This decrease was due to the disposal of computers throughout the year.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 75,000	75,000	0	0	75,000	75,000	0.00%
Buildings	3,357,947	3,462,638	0	0	3,357,947	3,462,638	-3.12%
Land improvements	35,291	37,721	0	0	35,291	37,721	-6.89%
Machinery and equipment	71,381	85,975	14,876	11,175	86,257	97,150	-12.63%
Total	\$ 3,539,619	3,661,334	14,876	11,175	3,554,495	3,672,509	-3.21%

### Long-Term Debt

At June 30, 2009, the District had \$1,268,275 in total long-term debt outstanding. This represents an increase of 3.14% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$1,100,000 at June 30, 2009.

The District had early retirement benefits payable of \$11,505 at June 30, 2009.

During the year ended June 30, 2009 the District entered into a computer lease in the amount of \$200,212. The District had \$157,170 outstanding at the end of the year.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 1,100,000	1,230,000	-10.57%
Early retirement	11,505	0	100.00%
Computer lease	157,170	0	100.00%
Total	\$ 1,268,675	1,230,000	3.14%

### 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 the 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, 2009

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents:			
ISCAP	\$ 176,755	0	176,755
Other	1,090,795	36,187	1,126,982
Receivables:			
Property tax:			
Delinquent	7,106	0	7,106
Succeeding year	1,046,691	0	1,046,691
Income surtax	119,823	0	119,823
Accounts	4,094	0	4,094
Accrued ISCAP interest	22	0	22
Due from other governments	71,165	0	71,165
Inventories	0	4,122	4,122
Capital assets, net of accumulated depreciation	3,539,619	14,876	3,554,495
<b>TOTAL ASSETS</b>	<b>6,056,070</b>	<b>55,185</b>	<b>6,111,255</b>
<b>LIABILITIES</b>			
Salaries and benefits payable	236,281	10,015	246,296
Interest payable	10,274	0	10,274
ISCAP warrants payable	174,000	0	174,000
ISCAP accrued interest payable	60	0	60
ISCAP unamortized premium	3,368	0	3,368
Deferred revenue:			
Succeeding year property tax	1,046,691	0	1,046,691
Other	9,645	0	9,645
Unearned revenue	0	1,107	1,107
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	105,000	0	105,000
Early retirement	11,505	0	11,505
Computer lease	47,413	0	47,413
Portion due after one year:			
General obligation bonds	995,000	0	995,000
Computer lease	109,757	0	109,757
<b>TOTAL LIABILITIES</b>	<b>2,748,994</b>	<b>11,122</b>	<b>2,760,116</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,282,449	14,876	2,297,325
Restricted for:			
Categorical Funding	19,084	0	19,084
Debt service	31,864	0	31,864
Capital projects	356,937	0	356,937
Management levy	98,114	0	98,114
Physical plant and equipment levy	78,565	0	78,565
Other special revenue purposes	50,496	0	50,496
Unrestricted	389,567	29,187	418,754
<b>TOTAL NET ASSETS</b>	<b>\$ 3,307,076</b>	<b>44,063</b>	<b>3,351,139</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,160,636	136,335	338,127	(686,174)	0	(686,174)
Special instruction	227,952	0	14,289	(213,663)	0	(213,663)
Other instruction	435,980	107,043	0	(328,937)	0	(328,937)
	<u>1,824,568</u>	<u>243,378</u>	<u>352,416</u>	<u>(1,228,774)</u>	<u>0</u>	<u>(1,228,774)</u>
Support services:						
Student	58,824	0	0	(58,824)	0	(58,824)
Instructional staff	294,283	0	0	(294,283)	0	(294,283)
Administration	314,527	0	0	(314,527)	0	(314,527)
Operation and maintenance of plant	258,586	0	0	(258,586)	0	(258,586)
Transportation	111,963	28	0	(111,935)	0	(111,935)
	<u>1,038,183</u>	<u>28</u>	<u>0</u>	<u>(1,038,155)</u>	<u>0</u>	<u>(1,038,155)</u>
Other expenditures:						
Facilities acquisitions	49,726	0	0	(49,726)	0	(49,726)
Long-term debt:						
Principal	200,212	0	0	(200,212)	0	(200,212)
Interest	85,699	0	0	(85,699)	0	(85,699)
AEA flowthrough	96,664	0	96,664	0	0	0
Depreciation(unallocated)*	107,121	0	0	(107,121)	0	(107,121)
	<u>539,422</u>	<u>0</u>	<u>96,664</u>	<u>(442,758)</u>	<u>0</u>	<u>(442,758)</u>
Total governmental activities	3,402,173	243,406	449,080	(2,709,687)	0	(2,709,687)
Business type activities:						
Support services:						
Administration	225	0	0	0	(225)	(225)
Non-instructional programs:						
Food service operations	135,203	72,416	63,722	0	935	935
Total business type activities	<u>135,428</u>	<u>72,416</u>	<u>63,722</u>	<u>0</u>	<u>710</u>	<u>710</u>
Total	\$ 3,537,601	315,822	512,802	(2,709,687)	710	(2,708,977)
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 797,698	0	797,698
Debt services				135,046	0	135,046
Capital outlay				25,275	0	25,275
Income surtax				156,978	0	156,978
Statewide sales and service tax				162,065	0	162,065
Unrestricted state grants				1,161,788	0	1,161,788
Unrestricted investment earnings				13,824	73	13,897
Other				231,632	0	231,632
Transfers				(6,895)	6,895	0
Total general revenues and transfers				<u>2,677,411</u>	<u>6,968</u>	<u>2,684,379</u>
Changes in net assets				(32,276)	7,678	(24,598)
Net assets beginning of year				3,339,352	36,385	3,375,737
Net assets end of year				\$ 3,307,076	44,063	3,351,139

\* 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, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 176,755	0	0	176,755
Other	504,299	317,017	269,479	1,090,795
Receivables:				
Property tax:				
Delinquent	5,440	0	1,666	7,106
Succeeding year	861,826	0	184,865	1,046,691
Income surtax	85,588	0	34,235	119,823
Accounts	4,094	0	0	4,094
Accrued ISCAP interest	22	0	0	22
Due from other funds	601	0	0	601
Due from other governments	31,245	39,920	0	71,165
<b>TOTAL ASSETS</b>	<b>\$ 1,669,870</b>	<b>356,937</b>	<b>490,245</b>	<b>2,517,052</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Salaries and benefits payable	\$ 236,281	0	0	236,281
Due to other funds	0	0	601	601
ISCAP warrants payable	174,000	0	0	174,000
ISCAP accrued interest payable	60	0	0	60
ISCAP unamortized premium	3,368	0	0	3,368
Deferred revenue:				
Succeeding year property tax	861,826	0	184,865	1,046,691
Income surtax	85,588	0	34,235	119,823
Other	9,645	0	0	9,645
<b>Total liabilities</b>	<b>1,370,768</b>	<b>0</b>	<b>219,701</b>	<b>1,590,469</b>
Fund balances:				
Reserved for:				
Categorical Funding	19,084	0	0	19,084
Debt service	0	0	31,864	31,864
Unreserved	280,018	356,937	238,680	875,635
<b>Total fund balances</b>	<b>299,102</b>	<b>356,937</b>	<b>270,544</b>	<b>926,583</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,669,870</b>	<b>356,937</b>	<b>490,245</b>	<b>2,517,052</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, 2009

Total fund balances of governmental funds (page 16)	\$	926,583
 <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.		3,539,619
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.		(10,274)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		119,823
Long-term liabilities, including bonds payable, lease payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,268,675)</u>
<b>Net assets of governmental activities (page 14)</b>	<b>\$</b>	<b><u>3,307,076</u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 833,380	162,065	264,771	1,260,216
Tuition	128,262	0	0	128,262
Other	33,738	6,591	113,044	153,373
State sources	1,497,301	0	0	1,497,301
Federal sources	113,567	0	0	113,567
Total revenues	<u>2,606,248</u>	<u>168,656</u>	<u>377,815</u>	<u>3,152,719</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,155,706	0	0	1,155,706
Special	227,952	0	0	227,952
Other	330,584	0	103,291	433,875
	<u>1,714,242</u>	<u>0</u>	<u>103,291</u>	<u>1,817,533</u>
Support services:				
Student	58,824	0	0	58,824
Instructional staff	94,384	100,106	101,144	295,634
Administration	311,956	0	0	311,956
Operation and maintenance of plant	217,061	0	38,620	255,681
Transportation	91,528	0	5,496	97,024
	<u>773,753</u>	<u>100,106</u>	<u>145,260</u>	<u>1,019,119</u>
Non-instructional programs:				
Food service operations	0	0	6,895	6,895
Other expenditures:				
Facilities acquisitions	0	27,401	22,325	49,726
Long-term debt:				
Principal	0	0	173,042	173,042
Interest and fiscal charges	0	0	86,999	86,999
AEA flowthrough	96,664	0	0	96,664
	<u>96,664</u>	<u>27,401</u>	<u>282,366</u>	<u>406,431</u>
Total expenditures	<u>2,584,659</u>	<u>127,507</u>	<u>537,812</u>	<u>3,249,978</u>
Excess(deficiency)of revenues over(under) expenditures	21,589	41,149	(159,997)	(97,259)
Other financing sources(uses):				
Transfers in	0	0	125,600	125,600
Transfers out	0	(95,300)	(30,300)	(125,600)
Proceeds from the disposal of property	7,015	0	0	7,015
Proceeds from capital leases	0	100,106	100,106	200,212
Total other financing sources	<u>7,015</u>	<u>4,806</u>	<u>195,406</u>	<u>207,227</u>
Net change in fund balances	28,604	45,955	35,409	109,968
Fund balance beginning of year	270,498	310,982	235,135	816,615
Fund balance end of year	<u>\$ 299,102</u>	<u>356,937</u>	<u>270,544</u>	<u>926,583</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, 2009

Net change in fund balances - total governmental funds(page 18) \$ 109,968

*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 Net Activities 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	\$ 12,856	
Depreciation expense	<u>(134,571)</u>	(121,715)

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

Issued	(200,212)	
Repaid	<u>173,042</u>	(27,170)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,300

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 16,846

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>(11,505)</u>
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Changes in net assets of governmental activities(page 15) \$ (32,276)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 36,187
Inventories	4,122
Capital assets, net of accumulated depreciation	14,876
TOTAL ASSETS	<u>55,185</u>
LIABILITIES	
Salaries and benefits payable	10,015
Unearned revenues	1,107
TOTAL LIABILITES	<u>11,122</u>
NET ASSETS	
Invested in capital assets	14,876
Unrestricted	29,187
TOTAL NET ASSETS	<u>\$ 44,063</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, 2009

	<u>School</u>
	<u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 72,416
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	225
Non-instructional programs:	
Food service operations:	
Salaries	44,535
Benefits	19,608
Services	1,006
Supplies	66,860
Depreciation	3,194
	<u>135,203</u>
TOTAL OPERATING EXPENSES	<u>135,428</u>
OPERATING LOSS	<u>(63,012)</u>
NON-OPERATING REVENUES:	
Interest income	73
State sources	1,804
Federal sources	61,918
TOTAL NON-OPERATING REVENUES	<u>63,795</u>
Change in net assets before capital contributions	783
Capital contributions	<u>6,895</u>
Change in net assets	7,678
Net assets at beginning of year	<u>36,385</u>
Net assets end of year	<u>\$ 44,063</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 71,356
Cash received from miscellaneous operating activities	536
Cash payments to employees for services	(63,525)
Cash payments to suppliers for goods or services	(59,207)
Net cash used in operating activities	<u>(50,840)</u>
Cash flows from non-capital financing activities:	
State grants received	1,804
Federal grants received	52,180
Net cash provided by non-capital financing activities	<u>53,984</u>
Cash flows from investing activities:	
Interest on investments	<u>73</u>
Net increase in cash and cash equivalents	3,217
Cash and cash equivalents at beginning of year	<u>32,970</u>
Cash and cash equivalents at end of year	<u>\$ 36,187</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (63,012)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,738
Depreciation	3,194
Increase in inventories	(854)
Increase in salaries and benefits payable	618
Decrease in unearned revenue	(524)
Net cash used in operating activities	<u>\$ (50,840)</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>\$ 36,187</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$9,738.

During the year ended June 30, 2009, the District received Capital contributions valued at \$6,895 from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 369,560	30,250
TOTAL ASSETS	<u>369,560</u>	<u>30,250</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to other groups	<u>0</u>	<u>30,250</u>
Net assets:		
Reserved for scholarships	369,560	0
TOTAL NET ASSETS	<u>\$ 369,560</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, 2009

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 6,075
Interest income	15,246
TOTAL ADDITIONS	<u>21,321</u>
DEDUCTIONS:	
Instruction:	
Scholarships awarded	<u>22,800</u>
Change in net assets	(1,479)
Net assets beginning of year	<u>371,039</u>
Net assets end of year	<u>\$ 369,560</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

**(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 service.

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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* 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 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 expenditures, including instructional, support and other costs.

The Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise School Nutrition Fund. This 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 the 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 is 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, 2007 assessed property valuations; is for the tax

accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 repair 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

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.

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

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

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Special Revenue:	
	Physical Plant and	
General	Equipment Levy	\$ <u>601</u>

The Special Revenue, Physical Plant and Equipment Levy Fund is repaying the General Fund for income surtax incorrectly recorded in the prior year. The balance will be repaid by June 30, 2010.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Special Revenue:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 30,300
Debt Service	Capital Projects	<u>95,300</u>
Total		<u>\$ 125,600</u>

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

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program(ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee of the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Accrued Warrants Payable</u>	<u>Accrued Interest Payable</u>
2009-10A	6/25/09	6/23/10	\$ 176,755	22	174,000	60

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is

outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500 %	0.902 %

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
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	5,182,560	0	0	5,182,560
Land improvements	48,608	0	0	48,608
Machinery and equipment	730,197	12,856	210,040	533,013
Total capital assets being depreciated	5,961,365	12,856	210,040	5,764,181
Less accumulated depreciation for:				
Buildings	1,719,922	104,691	0	1,824,613
Land improvements	10,887	2,430	0	13,317
Machinery and equipment	644,222	27,450	210,040	461,632
Total accumulated depreciation	2,375,031	134,571	210,040	2,299,562
Total capital assets being depreciated, net	3,586,334	(121,715)	0	3,464,619
Governmental activities capital assets, net	\$ 3,661,334	(121,715)	0	3,539,619
<b>Business type activities:</b>				
Machinery and equipment	\$ 94,404	6,895	0	101,299
Less accumulated depreciation	83,229	3,194	0	86,423
Business-type activities capital assets, net	\$ 11,175	3,701	0	14,876

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,930
Other		2,105
Support services:		
Administration services		2,571
Operation and maintenance of plant		2,905
Transportation		14,939
		<u>27,450</u>
Unallocated depreciation		<u>107,121</u>
Total governmental activities depreciation expense		<u>\$ 134,571</u>
Business type activities:		
Food services		<u>\$ 3,194</u>

**(7) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,230,000	0	130,000	1,100,000	105,000
Early retirement	0	11,505	0	11,505	11,505
Computer lease	0	200,212	43,042	157,170	47,413
Total	<u>\$ 1,230,000</u>	<u>211,717</u>	<u>173,042</u>	<u>1,268,675</u>	<u>163,918</u>

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated May 1, 2000			
	Interest Rate	Principal	Interest	Total
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	5.600	90,000	42,765	132,765
2015-2020	5.60-5.80	665,000	138,920	803,920
Total		<u>\$ 1,100,000</u>	<u>398,261</u>	<u>1,498,261</u>

Computer Lease

During the year ended June 30, 2009 the District entered into a computer lease agreement. The lease bears an annual interest rate of 9.71% and is payable equally from the Capital Projects Fund and the Special Revenue, Physical Plant and Equipment Levy Fund.

Details of the District's indebtedness under the lease agreement as of June 30, 2009 is as follows:

Year Ending June 30,	Computer lease issued July 1, 2008			
	Interest Rate	Principal	Interest	Total
2010	9.710 %	\$ 47,413	13,187	60,600
2011	9.710	52,227	8,373	60,600
2012	9.710	57,530	3,070	60,600
Total		\$ 157,170	24,630	181,800

#### 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. The District did not pay any early retirement benefits during the year ended June 30, 2009.

#### **(8) 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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.90% of their annual salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$103,422, \$93,902 and \$81,251 respectively, equal to the required contributions for each year.

#### **(9) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or

assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

**(10) 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 in 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, 2009 were \$170,141.

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.

**(11) 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 \$96,664 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Categorical Funding**

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

Project	Amount
HSAP	\$ 755
Dropout Prevention	1,186
Beginning Teacher Mentoring	1,954
Market Factor	1,734
Model Core Curriculum	1,198
Professional Development Core Curriculum	2,556
AIW/Teacher Development (PWIM)	6,045
Professional Development	1,435
Market Factor Incentives	2,221
Total	<u>\$ 19,084</u>

REQUIRED SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 1,541,851	72,489	1,614,340	1,649,618	1,649,618	(35,278)
State sources	1,497,301	1,804	1,499,105	1,557,270	1,557,270	(58,165)
Federal sources	113,567	61,918	175,485	159,000	159,000	16,485
Total revenues	<u>3,152,719</u>	<u>136,211</u>	<u>3,288,930</u>	<u>3,365,888</u>	<u>3,365,888</u>	<u>(76,958)</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,817,533	0	1,817,533	2,099,068	2,099,068	281,535
Support services	1,019,119	225	1,019,344	1,261,000	1,261,000	241,656
Non-instructional programs	6,895	135,203	142,098	190,179	190,179	48,081
Other expenditures	406,431	0	406,431	577,196	577,196	170,765
Total expenditures/expenses	<u>3,249,978</u>	<u>135,428</u>	<u>3,385,406</u>	<u>4,127,443</u>	<u>4,127,443</u>	<u>742,037</u>
Excess(deficiency)of revenues over (under) expenditures/expenses	(97,259)	783	(96,476)	(761,555)	(761,555)	665,079
Other financing sources, net	207,227	6,895	214,122	0	0	214,122
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expensures and other financing uses	109,968	7,678	117,646	(761,555)	(761,555)	879,201
Balance beginning of year	816,615	36,385	853,000	1,069,144	1,069,144	(216,144)
Balance end of year	<u>\$ 926,583</u>	<u>44,063</u>	<u>970,646</u>	<u>307,589</u>	<u>307,589</u>	<u>663,057</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

OTHER SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	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	\$ 109,141	50,496	78,979	238,616	30,863	269,479
Receivables:						
Property tax:						
Delinquent	478	0	187	665	1,001	1,666
Succeeding year	60,000	0	22,824	82,824	102,041	184,865
Income surtax	0	0	34,235	34,235	0	34,235
<b>TOTAL ASSETS</b>	<b>\$ 169,619</b>	<b>50,496</b>	<b>136,225</b>	<b>356,340</b>	<b>133,905</b>	<b>490,245</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ 0	0	601	601	0	601
Deferred revenue:						
Succeeding year property tax	60,000	0	22,824	82,824	102,041	184,865
Income surtax	0	0	34,235	34,235	0	34,235
Total liabilities	60,000	0	57,660	117,660	102,041	219,701
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	31,864	31,864
Unreserved	109,619	50,496	78,565	238,680	0	238,680
Total fund balances	109,619	50,496	78,565	238,680	31,864	270,544
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 169,619</b>	<b>50,496</b>	<b>136,225</b>	<b>356,340</b>	<b>133,905</b>	<b>490,245</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, 2009

	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	\$ 64,412	0	65,313	129,725	135,046	264,771
Other	6,988	104,452	1,051	112,491	553	113,044
TOTAL REVENUES	71,400	104,452	66,364	242,216	135,599	377,815
EXPENDITURES:						
Current:						
Instruction:						
Other	0	103,291	0	103,291	0	103,291
Support services:						
Instructional staff	0	0	101,144	101,144	0	101,144
Operation and maintenance of plant	35,913	0	2,707	38,620	0	38,620
Transportation	5,496	0	0	5,496	0	5,496
Non-instructional:						
Food service operations	0	0	6,895	6,895	0	6,895
Other expenditures:						
Facilities acquisition	0	0	22,325	22,325	0	22,325
Long-term debt:						
Principal	0	0	0	0	173,042	173,042
Interest and fiscal charges	0	0	0	0	86,999	86,999
TOTAL EXPENDITURES	41,409	103,291	133,071	277,771	260,041	537,812
Excess(deficiency) of revenues over(under) expenditures	29,991	1,161	(66,707)	(35,555)	(124,442)	(159,997)
Other financing sources(uses):						
Transfers in	0	0	0	0	125,600	125,600
Transfers out	0	0	(30,300)	(30,300)	0	(30,300)
Proceeds from capital leases	0	0	100,106	100,106	0	100,106
Total other financing sources	0	0	69,806	69,806	125,600	195,406
Excess of revenues and other financing sources over expenditures	29,991	1,161	3,099	34,251	1,158	35,409
Fund balance beginning of year	79,628	49,335	75,466	204,429	30,706	235,135
Fund balance end of year	\$ 109,619	50,496	78,565	238,680	31,864	270,544

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech/drama	\$ 1,993	688	672	2,009
Vocal music	237	1,197	1,293	141
Instrumental music	816	980	1,113	683
Athletics	34,068	7,378	5,124	36,322
Boys/girls golf	0	624	624	0
Boys basketball	0	9,042	9,042	0
Football	0	6,511	6,511	0
Baseball	0	3,301	3,301	0
Boys track	0	3,563	3,563	0
Wrestling	0	987	987	0
Girls basketball	0	5,053	5,053	0
Volleyball	0	3,146	3,146	0
Softball	0	2,846	2,846	0
Girls track	0	2,026	2,026	0
Interest	0	160	0	160
Change	100	0	0	100
Vocational education resale	0	341	341	0
Freshman class	15	0	15	0
Sophomore class	404	225	379	250
Junior class	848	8,037	7,390	1,495
Senior class	0	2,833	2,833	0
Science club	170	0	0	170
Elementary special education	39	0	0	39
Book fair	623	1,118	1,113	628
M.S. TAG	157	0	0	157
DC trip account	127	0	0	127
Art club	292	245	96	441
Drill team	381	436	448	369
Annual	194	5,965	5,904	255
Cheerleaders	1,367	1,465	2,241	591
FFA	2,855	11,251	11,473	2,633
National honor society	1,059	0	732	327
Student council	1,961	1,508	2,082	1,387
Elementary student council	518	882	1,244	156
Leadership	891	2,599	1,714	1,776
Elementary resale	0	3,968	3,968	0
Athletic concession	0	8,004	8,004	0
Athletic resale	0	1,603	1,603	0
District football	220	0	0	220
Miscellaneous	0	60	0	60
Honor Band	0	6,210	6,210	0
Preschool	0	200	200	0
Total	\$ 49,335	104,452	103,291	50,496

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMABLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2009

	Shelby Co. Local Option/ Statewide Sales and Services Tax	Audubon Co. Local Option/ Statewide Sales and Services Tax	Total Capital Projects
<b>ASSETS</b>			
Cash and pooled investments	\$ 221,084	95,933	317,017
Due from other governments	22,397	17,523	39,920
<b>TOTAL ASSETS</b>	<b>\$ 243,481</b>	<b>113,456</b>	<b>356,937</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Fund balances:			
Unreserved	\$ 243,481	113,456	356,937
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 243,481</b>	<b>113,456</b>	<b>356,937</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ELK HORN-KIMBALTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2009

	GO Bond Construction	Shelby Co. Local Option/ Statewide Sales and Services Tax	Audubon Co. Local Option/ Statewide Sales and Services Tax	Total
<b>REVENUES:</b>				
Local sources				
Local tax	\$ 0	106,483	55,582	162,065
Other	0	4,010	2,581	6,591
Total revenues	0	110,493	58,163	168,656
<b>EXPENDITURES:</b>				
Current:				
Support services:				
Instructional staff	0	100,106	0	100,106
Other expenditures:				
Facilities acquisitions	2,696	0	24,705	27,401
Excess(deficiency)of revenues over(under)expenditures	(2,696)	10,387	33,458	41,149
<b>OTHER FINANCING USES:</b>				
Transfer out	0	(65,000)	(30,300)	(95,300)
Proceeds from capital leases	0	100,106	0	100,106
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	0	35,106	(30,300)	4,806
Net change in fund balances	(2,696)	45,493	3,158	45,955
Fund balance beginning of year	2,696	197,988	110,298	310,982
Fund balance end of year	\$ 0	243,481	113,456	356,937

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
<b>ASSETS</b>						
Cash and pooled investments	\$ 102,977	5,003	9,912	40	251,628	369,560
<b>LIABILITIES</b>						
	0	0	0	0	0	0
<b>NET ASSETS</b>						
Reserved for scholarships	\$ 102,977	5,003	9,912	40	251,628	369,560

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, 2009

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
ADDITIONS:						
Local sources:						
Gifts and contributions	\$ 1,075	5,000	0	0	0	6,075
Interest income	3,887	3	189	0	11,167	15,246
	<u>4,962</u>	<u>5,003</u>	<u>189</u>	<u>0</u>	<u>11,167</u>	<u>21,321</u>
DEDUCTIONS:						
Instruction:						
Regular:						
Scholarships awarded	2,500	0	500	1,000	18,800	22,800
Changes in net assets	2,462	5,003	(311)	(1,000)	(7,633)	(1,479)
Net assets beginning of year	100,515	0	10,223	1,040	259,261	371,039
Net assets end of year	<u>\$ 102,977</u>	<u>5,003</u>	<u>9,912</u>	<u>40</u>	<u>251,628</u>	<u>369,560</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, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Washington DC Trip</b>				
<b>ASSETS:</b>				
Cash and pooled investments	\$ 12,566	35,872	18,188	30,250
<b>LIABILITIES:</b>				
Due to other groups	\$ 12,566	35,872	18,188	30,250

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>									
Local sources:									
Local tax	\$ 1,260,216	1,168,595	1,175,179	1,086,481	1,072,688	1,075,598	1,009,188	955,052	942,090
Tuition	128,262	84,598	109,082	82,357	71,362	64,620	44,888	40,521	42,691
Other	153,373	175,948	181,170	213,359	172,011	189,199	185,103	322,869	414,792
Intermediate sources	0	0	0	0	3,654	3,724	4,076	8,478	0
State sources	1,497,301	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	113,567	127,791	96,707	97,399	93,308	142,586	65,327	60,050	290,784
<b>Total</b>	<b>\$ 3,152,719</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	\$ 1,155,706	1,114,078	1,079,688	956,796	896,033	1,041,208	986,592	1,000,698	937,988
Special	227,952	209,656	259,463	162,069	224,310	200,496	192,647	163,315	213,176
Other	433,875	432,914	360,725	490,688	413,418	316,805	316,295	363,376	345,672
Support services:									
Student	58,824	50,985	150	41,975	48,006	49,912	49,164	50,822	48,976
Instructional staff	295,634	144,404	98,958	116,993	128,037	51,224	57,703	46,448	62,748
Administration	311,956	314,303	326,237	413,472	345,495	320,360	312,188	305,475	264,527
Operation and maintenance of plant	255,681	280,736	264,301	248,328	243,046	234,692	226,987	235,965	216,253
Transportation	97,024	162,584	110,929	111,328	165,618	90,764	76,936	132,509	69,617
Other support services	0	0	0	0	6,927	21,345	15,601	15,783	6,805
Non-instructional programs:									
Food service operations	6,895	0	3,962	4,200	6,702	6,156	5,893	7,308	6,792
Other expenditures:									
Facilities acquisitions	49,726	120,993	62,816	60,005	22,093	42,191	108,623	1,073,713	1,672,368
Long-term debt:									
Principal	173,042	120,000	115,000	110,000	100,000	95,000	90,000	85,000	105,000
Interest	86,999	76,641	83,541	90,541	96,141	101,841	107,241	112,342	118,791
AEA flow-through	96,664	91,069	87,817	85,228	84,404	86,147	93,721	93,478	95,936
<b>Total</b>	<b>\$ 3,249,978</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)

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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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 16, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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 accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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-09 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, 2009 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.

December 16, 2009

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 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.

CONTROL DEFICIENCIES:

I-B-09 Supporting Documents for Reimbursements - We noted during our audit an instance of an employee reimbursement for cheerleader shoes that did not have any supporting documentation.

Recommendation - The District has policies in place for employee reimbursement. Employees should turn in supporting documentation for reimbursement. The District should review procedures in place to ensure the proper detailed documentation is being submitted before reimbursements are paid to employees.

Response - Documentation will be required prior to reimbursements.

Conclusion - Response accepted.

I-C-09 Hourly Wages Payroll Procedures - We noted during our audit that the District did not maintain documentation on hours worked by coaches for wage and hour purposes, as required by the Department of Labor.

Recommendation - The District should require documentation of hours worked for coaches who are not exempt. The District should monitor for minimum wage as well as overtime.

Response - Logs of hours worked are now required for coaches who are not exempt.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS  
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 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-09 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.

However, during our audit we noted an employee travel reimbursement that did not have any supporting documentation for the amount of mileage the employee was being reimbursed for.

Recommendation - The District has a policy in place for employee travel reimbursement. The District should review procedures in place to ensure that mileage logs are being submitted before reimbursements are paid to employees.

Response - Mileage logs will be submitted before reimbursements are paid.

Conclusion - Response accepted.

- II-D-09 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	\$359

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-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 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-09 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-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June, 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			162,065
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$	15,525	
Debt service for school infrastructure:			
General obligation debt		<u>65,000</u>	<u>80,525</u>
Ending balance		\$	<u><u>81,540</u></u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
	<u>                    </u>	<u>                    </u>
Debt service levy	\$ 1.08789	\$ 65,000

- II-L-09 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 - Outstanding checks will be researched and be dealt with appropriately.

Conclusion - Response accepted.