

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Tom Cannon	President	2009
Mark Smith	Vice President	2011
Doug Parker	Board Member	2011
Tamie Fahn	Board Member	2009
Kevin Petersen	Board Member	2009
Board of Education (After September 2009 Election)		
Mark Smith	President	2011
Kevin Petersen	Vice President	2013
Doug Parker	Board Member	2011
Tamie Fahn	Board Member	2013
Stacie Larsen	Board Member	2013
School Officials		
Al Hjelle	Superintendent	2010
Tami Jacobsen	District Secretary/ Treasurer	2010
Drew Bracken	Attorney	2010

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2010, 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, 2010, 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 March 16, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of

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the basic financial statements, but are supplementary 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 nine years ended June 30, 2009 (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.

March 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,613,263 in fiscal 2009 to \$2,493,551 in fiscal 2010, while General Fund expenditures also decreased from \$2,584,659 in fiscal 2009 to \$2,489,983 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$299,102 in fiscal 2009 to a balance of \$302,670 in fiscal 2010.
- The decrease in General Fund revenues was attributable to decreases in state source revenues in fiscal 2010. The decrease in expenditures was due primarily to decreases in regular instruction and support services expenditures. The decrease in expenditures were greater than the decrease in revenues and 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-1

Elk Horn-Kimballton Community School District Annual Financial Report

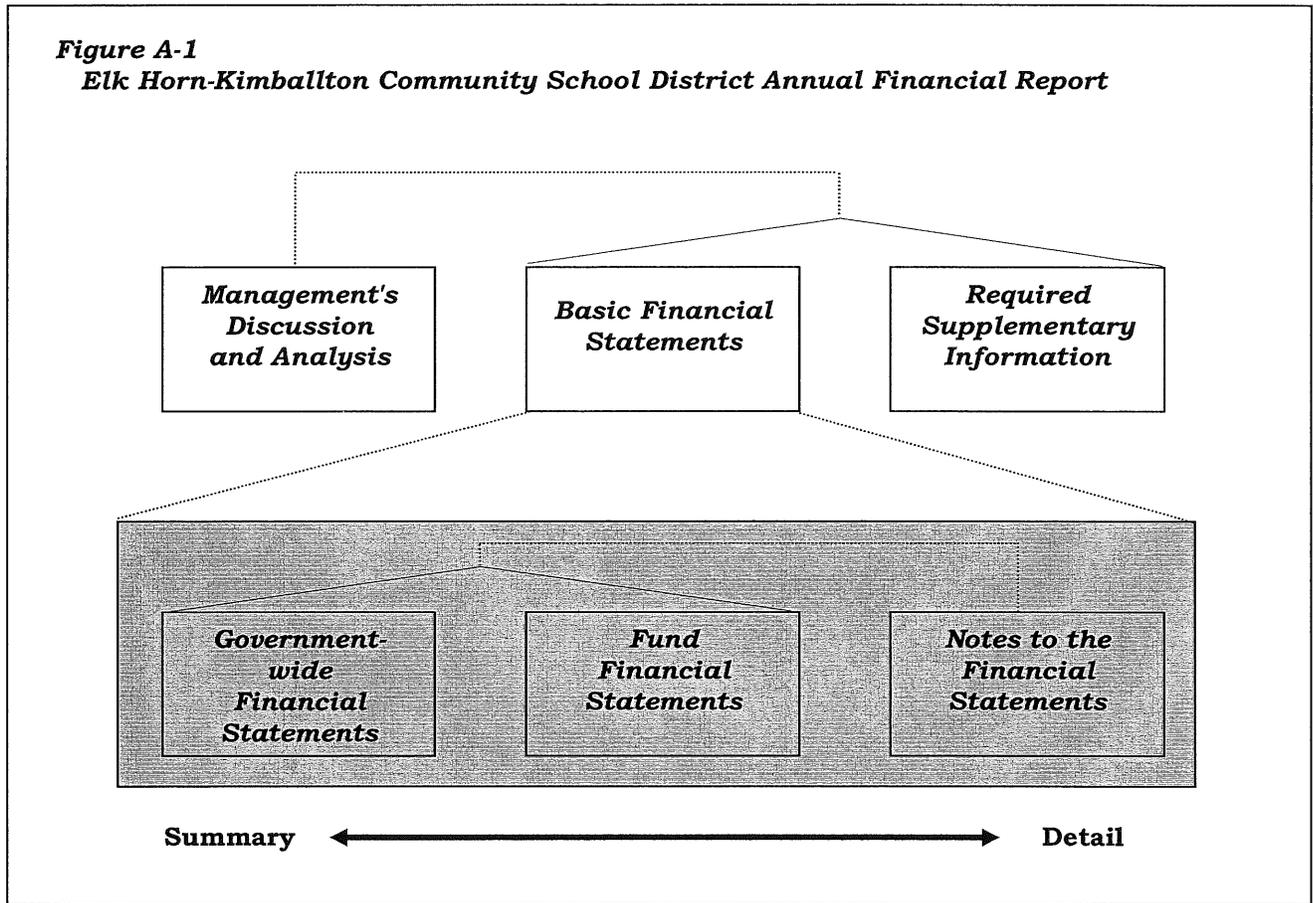


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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.

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2008	2009-10
Current and other assets	\$ 2,409,202	2,516,451	47,174	40,309	2,456,376	2,556,760	-3.93%
Capital assets	3,464,922	3,539,619	12,436	14,876	3,477,358	3,554,495	-2.17%
Total assets	5,874,124	6,056,070	59,610	55,185	5,933,734	6,111,255	-2.90%
Long-term liabilities	1,127,356	1,268,675	1,250	0	1,128,606	1,268,675	-11.04%
Other liabilities	1,403,689	1,480,319	12,105	11,122	1,415,794	1,491,441	-5.07%
Total liabilities	2,531,045	2,748,994	13,355	11,122	2,544,400	2,760,116	-7.82%
Net assets:							
Invested in capital assets, net of related debt	2,360,165	2,282,449	12,436	14,876	2,372,601	2,297,325	3.28%
Restricted	653,409	635,060	0	0	653,409	635,060	2.89%
Unrestricted	329,505	389,567	33,819	29,187	363,324	418,754	-13.24%
Total net assets	\$ 3,343,079	3,307,076	46,255	44,063	3,389,334	3,351,139	1.14%

The District's combined net assets increased by 1.14%, or \$38,195, 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 \$18,349, or 2.89% 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 – decreased \$55,430, or 13.24%. 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, 2010 compared to the year ended June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 254,501	243,406	65,300	72,416	319,801	315,822	1.26%
Operating grants, contributions and restricted interest	526,533	449,080	65,914	63,722	592,447	512,802	15.53%
General revenues:							
Property tax	1,055,883	958,019	0	0	1,055,883	958,019	10.22%
Income surtax	186,989	156,978	0	0	186,989	156,978	19.12%
Statewide sales, services and use tax	160,593	162,065	0	0	160,593	162,065	-0.91%
Unrestricted state grants	814,548	1,161,788	0	0	814,548	1,161,788	-29.89%
Unrestricted investment earnings	16,207	13,824	59	73	16,266	13,897	17.05%
Other	15,299	231,632	403	0	15,702	231,632	-93.22%
Transfers	0	(6,895)	0	6,895	0	0	0.00%
Total revenues and transfers	3,030,553	3,369,897	131,676	143,106	3,162,229	3,513,003	-9.99%
Program expenses:							
Governmental activities:							
Instructional	1,786,964	1,824,568	0	0	1,786,964	1,824,568	-2.06%
Support services	809,139	1,038,183	187	225	809,326	1,038,408	-22.06%
Non-instructional programs	0	0	129,297	135,203	129,297	135,203	-4.37%
Other expenses	398,447	539,422	0	0	398,447	539,422	-26.13%
Total expenses	2,994,550	3,402,173	129,484	135,428	3,124,034	3,537,601	-11.69%
Changes in net assets	36,003	(32,276)	2,192	7,678	38,195	(24,598)	255.28%
Net assets beginning of year	3,307,076	3,339,352	44,063	36,385	3,351,139	3,375,737	-0.73%
Net assets end of year	\$ 3,343,079	3,307,076	46,255	44,063	3,389,334	3,351,139	1.14%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 73.19% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.65% of the revenue from business type activities.

The District’s total revenues were approximately \$3.16 million of which \$3.03 million was for governmental activities and approximately \$0.13 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.99% decrease in revenues and an 11.69% decrease in expenses. The decrease in revenues was due to decreased unrestricted state grant revenues the District received during fiscal 2010. The decrease in expenses is related to decreases in support services.

Governmental Activities

Revenues for governmental activities were \$3,030,553 and expenses were \$2,994,550 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, 2010 compared to the year ended June 30, 2009.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 1,786,964	1,824,568	-2.06%	1,108,111	1,228,774	-9.82%
Support services	809,139	1,038,183	-22.06%	809,118	1,038,155	-22.06%
Other expenses	398,447	539,422	-26.13%	296,287	442,758	-33.08%
Totals	\$ 2,994,550	3,402,173	-11.98%	2,213,516	2,709,687	-18.31%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$254,501.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$526,533.
- The net cost of governmental activities was financed with \$1,055,883 in property tax, \$186,989 in income surtax, \$160,593 in statewide sales, services and use tax, \$814,548 in unrestricted state grants, \$16,207 in interest income and \$15,299 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2010 were \$131,676 representing a 7.99% decrease over the prior year, while expenses totaled \$129,848, a 4.39% decrease 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 \$870,870, below last year's ending fund balances of \$926,583. However, the primary reason for the decrease in ending fund balances could be attributable to the decrease in the Capital Projects Fund balance in fiscal 2010.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Although there was a decrease in revenues, there was also a greater decrease in expenditures which lead to an increase in the financial position of the District.

- The Capital Projects fund balance decreased from \$356,937 in 2009 to \$303,023 in 2010, due to an increase in capital project expenditures.
- The Debt Service Fund balance increased from \$31,864 in 2009 to \$34,065 in 2010, due to premiums on issuance of general obligation bonds.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$44,063 at June 30, 2009 to \$46,255 at June 30, 2010, representing an increase of 4.97%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$282,383 less than budgeted revenues, a variance of 8.25%. 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, 2010, the District had invested \$3.48 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 2.17% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$146,991.

The original cost of the District's capital assets was \$6,010,334. Governmental funds account for \$5,909,035 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 \$86,257 at June 30, 2009, compared to \$116,243 reported at June 30, 2010. This increase was due to the purchase of a new bus during the year.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 75,000	75,000	0	0	75,000	75,000	0.00%
Buildings	3,253,255	3,357,947	0	0	3,253,255	3,357,947	-3.22%
Land improvements	32,860	35,291	0	0	32,860	35,291	-7.40%
Machinery and equipment	103,807	71,381	12,436	14,876	116,243	86,257	25.80%
Total	\$ 3,464,922	3,539,619	12,436	14,876	3,477,358	3,554,495	-2.17%

Long-Term Debt

At June 30, 2010, the District had \$1,128,606 in total long-term debt outstanding. This represents a decrease of 11.04% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$995,000 at June 30, 2010.

The District had early retirement benefits payable of \$5,849 at June 30, 2010.

The District had a computer lease payable in the amount of \$109,757 at June 30, 2010.

The District had a net OPEB liability of \$18,000 at June 30, 2010.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total School District		Total Change
	June 30,	June 30,	June 30,
	2010	2009	2009-10
General obligation bonds	\$ 995,000	1,100,000	-9.55%
Early retirement	5,849	11,505	-49.16%
Computer lease	109,757	157,170	-30.17%
Net OPEB liability	18,000	0	100.00%
Total	\$ 1,128,606	1,268,675	-11.04%

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.

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.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,034,734	42,972	1,077,706
Receivables:			
Property tax:			
Delinquent	15,110	0	15,110
Succeeding year	1,113,923	0	1,113,923
Income surtax	139,934	0	139,934
Accounts	12,168	0	12,168
Due from other governments	93,333	0	93,333
Inventories	0	4,202	4,202
Capital assets, net of accumulated depreciation	3,464,922	12,436	3,477,358
TOTAL ASSETS	5,874,124	59,610	5,933,734
LIABILITIES			
Accounts payable	25,950	0	25,950
Salaries and benefits payable	232,819	11,015	243,834
Interest payable	5,291	0	5,291
Deferred revenue:			
Succeeding year property tax	1,113,923	0	1,113,923
Other	25,706	0	25,706
Unearned revenue	0	1,090	1,090
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	80,000	0	80,000
Early retirement	5,849	0	5,849
Computer lease	52,227	0	52,227
Portion due after one year:			
General obligation bonds	915,000	0	915,000
Computer lease	57,530	0	57,530
Net OPEB liability	16,750	1,250	18,000
TOTAL LIABILITIES	2,531,045	13,355	2,544,400
NET ASSETS			
Invested in capital assets, net of related debt	2,360,165	12,436	2,372,601
Restricted for:			
Categorical Funding	91,058	0	91,058
Debt service	34,065	0	34,065
Capital projects	303,023	0	303,023
Management levy	111,959	0	111,959
Physical plant and equipment levy	67,462	0	67,462
Other special revenue purposes	45,842	0	45,842
Unrestricted	329,505	33,819	363,324
TOTAL NET ASSETS	\$ 3,343,079	46,255	3,389,334

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	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
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,100,225	120,397	323,041	(656,787)	0	(656,787)
Special	208,435	0	31,102	(177,333)	0	(177,333)
Other	478,304	134,083	70,230	(273,991)	0	(273,991)
	<u>1,786,964</u>	<u>254,480</u>	<u>424,373</u>	<u>(1,108,111)</u>	<u>0</u>	<u>(1,108,111)</u>
Support services:						
Student	59,932	0	0	(59,932)	0	(59,932)
Instructional staff	75,812	0	0	(75,812)	0	(75,812)
Administration	273,377	0	0	(273,377)	0	(273,377)
Operation and maintenance of plant	303,078	0	0	(303,078)	0	(303,078)
Transportation	96,940	21	0	(96,919)	0	(96,919)
	<u>809,139</u>	<u>21</u>	<u>0</u>	<u>(809,118)</u>	<u>0</u>	<u>(809,118)</u>
Other expenditures:						
Facilities acquisitions	97,075	0	0	(97,075)		(97,075)
Long-term debt interest	92,089	0	0	(92,089)	0	(92,089)
AEA flowthrough	102,160	0	102,160	0	0	0
Depreciation (unallocated) *	107,123	0	0	(107,123)	0	(107,123)
	<u>398,447</u>	<u>0</u>	<u>102,160</u>	<u>(296,287)</u>	<u>0</u>	<u>(296,287)</u>
Total governmental activities	2,994,550	254,501	526,533	(2,213,516)	0	(2,213,516)
Business type activities:						
Support services:						
Administration	75	0	0	0	(75)	(75)
Operation and maintenance of plant services	112	0	0	0	(112)	(112)
Non-instructional programs:						
Food service operations	129,297	65,300	65,914	0	1,917	1,917
Total business type activities	<u>129,484</u>	<u>65,300</u>	<u>65,914</u>	<u>0</u>	<u>1,730</u>	<u>1,730</u>
Total	<u>\$ 3,124,034</u>	<u>319,801</u>	<u>592,447</u>	<u>(2,213,516)</u>	<u>1,730</u>	<u>(2,211,786)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 930,157	0	930,157
Debt services				102,745	0	102,745
Capital outlay				22,981	0	22,981
Income surtax				186,989	0	186,989
Statewide sales, service and use tax				160,593	0	160,593
Unrestricted state grants				814,548	0	814,548
Unrestricted investment earnings				16,207	59	16,266
Other				15,299	403	15,702
Total general revenues and transfers				<u>2,249,519</u>	<u>462</u>	<u>2,249,981</u>
Changes in net assets				36,003	2,192	38,195
Net assets beginning of year				<u>3,307,076</u>	<u>44,063</u>	<u>3,351,139</u>
Net assets end of year				<u>\$ 3,343,079</u>	<u>46,255</u>	<u>3,389,334</u>

* 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, 2010

	General	Capital Projects	Debt Service	Total Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 533,170	238,969	32,677	229,918	1,034,734
Receivables:					
Property tax:					
Delinquent	12,453	0	1,463	1,194	15,110
Succeeding year	943,617	0	85,830	84,476	1,113,923
Income surtax	99,953	0	0	39,981	139,934
Accounts	12,168	0	0	0	12,168
Due from other governments	29,279	64,054	0	0	93,333
TOTAL ASSETS	\$ 1,630,640	303,023	119,970	355,569	2,409,202
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 25,875	0	75	0	25,950
Salaries and benefits payable	232,819	0	0	0	232,819
Deferred revenue:					
Succeeding year property tax	943,617	0	85,830	84,476	1,113,923
Income surtax	99,953	0	0	39,981	139,934
Other	25,706	0	0	0	25,706
Total liabilities	1,327,970	0	85,905	124,457	1,538,332
Fund balances:					
Reserved for:					
Categorical funding	91,058	0	0	0	91,058
Debt service	0	0	34,065	0	34,065
Unreserved, reported in:					
General fund	211,612	0	0	0	211,612
Special revenue funds	0	0	0	231,112	231,112
Capital projects fund	0	303,023	0	0	303,023
Total fund balances	302,670	303,023	34,065	231,112	870,870
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,630,640	303,023	119,970	355,569	2,409,202

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, 2010

Total fund balances of governmental funds(page 20)	\$	870,870
 <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.		3,464,922
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.		(5,291)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		139,934
Long-term liabilities, including bonds payable, lease payable, early retirement 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>(1,127,356)</u>
Net assets of governmental activities (page 18)	\$	<u><u>3,343,079</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Total Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 988,814	160,593	102,745	131,202	1,383,354
Tuition	114,568	0	0	0	114,568
Other	50,624	7,748	300	114,303	172,975
State sources	1,120,214	0	0	0	1,120,214
Federal sources	218,331	0	0	0	218,331
Total revenues	2,492,551	168,341	103,045	245,505	3,009,442
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,078,538	0	0	4,564	1,083,102
Special	208,435	0	0	0	208,435
Other	364,860	0	0	111,340	476,200
	1,651,833	0	0	115,904	1,767,737
Support services:					
Student	59,303	0	0	0	59,303
Instructional staff	63,507	4,653	0	13,308	81,468
Administration	290,115	0	275	0	290,390
Operation and maintenance of plant	221,970	0	0	78,129	300,099
Transportation	101,095	34,927	0	5,732	141,754
	735,990	39,580	275	97,169	873,014
Other expenditures:					
Facilities acquisitions	0	87,375	0	9,700	97,075
Long-term debt:					
Principal	0	0	152,413	0	152,413
Interest and fiscal charges	0	0	97,072	0	97,072
AEA flowthrough	102,160	0	0	0	102,160
	102,160	87,375	249,485	9,700	448,720
Total expenditures	2,489,983	126,955	249,760	222,773	3,089,471
Excess(deficiency)of revenues over(under)expenditures	2,568	41,386	(146,715)	22,732	(80,029)
Other financing sources(uses):					
Transfers in	0	0	125,600	0	125,600
Transfers out	0	(95,300)	0	(30,300)	(125,600)
Proceeds from disposal of equipment	1,000	0	0	0	1,000
General obligation bond issuance	0	0	995,000	0	995,000
Payment to escrow	0	0	(995,000)	0	(995,000)
Premium on bonds	0	0	23,316	0	23,316
Total other financing sources	1,000	(95,300)	148,916	(30,300)	24,316
Net change in fund balances	3,568	(53,914)	2,201	(7,568)	(55,713)
Fund balance beginning of year	299,102	356,937	31,864	238,680	926,583
Fund balance end of year	\$ 302,670	303,023	34,065	231,112	870,870

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (55,713)

**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	\$ 69,854	
Depreciation expense	<u>(144,551)</u>	(74,697)

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	(995,000)	
Repaid	<u>1,147,413</u>	152,413

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. 4,983

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 20,111

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	5,656	
Other postemployment	<u>(16,750)</u>	(11,094)

Changes in net assets of governmental activities (page 19) \$ 36,003

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 42,972
Inventories	4,202
Capital assets, net of accumulated depreciation	<u>12,436</u>
TOTAL ASSETS	<u>59,610</u>
LIABILITIES	
Salaries and benefits payable	11,015
Unearned revenues	1,090
Net OPEB liability	<u>1,250</u>
TOTAL LIABILITES	<u>13,355</u>
NET ASSETS	
Invested in capital assets	12,436
Unrestricted	<u>33,819</u>
TOTAL NET ASSETS	<u>\$ 46,255</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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 65,300
Miscellaneous	403
TOTAL OPERATING REVENUES	65,703
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	75
Operation and maintenance of plant services:	
Services	112
Total support services:	187
Non-instructional programs:	
Food service operations:	
Salaries	45,311
Benefits	22,353
Services	417
Supplies	58,776
Depreciation	2,440
	129,297
TOTAL OPERATING EXPENSES	129,484
OPERATING LOSS	(63,781)
NON-OPERATING REVENUES:	
Interest income	59
State sources	1,454
Federal sources	64,460
TOTAL NON-OPERATING REVENUES	65,973
Change in net assets	2,192
Net assets at beginning of year	44,063
Net assets end of year	\$ 46,255

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 65,283
Cash received from miscellaneous operating activities	403
Cash payments to employees for services	(65,414)
Cash payments to suppliers for goods or services	(47,736)
Net cash used in operating activities	(47,464)
Cash flows from non-capital financing activities:	
State grants received	1,454
Federal grants received	52,736
Net cash provided by non-capital financing activities	54,190
Cash flows from investing activities:	
Interest on investments	59
Net increase in cash and cash equivalents	6,785
Cash and cash equivalents at beginning of year	36,187
Cash and cash equivalents at end of year	\$ 42,972
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (63,781)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,724
Depreciation	2,440
Increase in inventories	(80)
Increase in salaries and benefits payable	1,000
Decrease in unearned revenue	(17)
Increase in other postemployment benefits	1,250
Net cash used in operating activities	\$ (47,464)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$11,724.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 363,127	21,314
TOTAL ASSETS	<u>363,127</u>	<u>21,314</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to other groups	<u>0</u>	<u>21,314</u>
Net assets:		
Reserved for scholarships	363,127	0
TOTAL NET ASSETS	<u>\$ 363,127</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, 2010

	Private Purpose Trust
	Scholarship
ADDITIONS:	
Local sources:	
Gifts and contributions	\$ 5,550
Interest income	10,817
TOTAL ADDITIONS	16,367
DEDUCTIONS:	
Instruction:	
Scholarships awarded	22,800
Change in net assets	(6,433)
Net assets beginning of year	369,560
Net assets end of year	\$ 363,127

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

(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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, and intangibles 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
Intangibles	25,000
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
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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, 2010 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 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 from Special Revenue: Physical Plant and Equipment Levy were to make payments for a computer lease. The transfers from Capital Projects were to make payments for a computer lease and payments for general obligation bonds.

(4) 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.

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 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

For the year ended June 30, 2010, there were no borrowings or repayments by the District.

During the year ended June 30, 2010 the District paid \$898 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,000	0	0	75,000
Total capital assets not being depreciated	75,000	0	0	75,000
Capital assets being depreciated:				
Buildings	5,182,560	0	0	5,182,560
Land improvements	48,608	0	0	48,608
Machinery and equipment	533,013	69,854	0	602,867
Total capital assets being depreciated	5,764,181	69,854	0	5,834,035
Less accumulated depreciation for:				
Buildings	1,824,613	104,692	0	1,929,305
Land improvements	13,317	2,431	0	15,748
Machinery and equipment	461,632	37,428	0	499,060
Total accumulated depreciation	2,299,562	144,551	0	2,444,113
Total capital assets being depreciated, net	3,464,619	(74,697)	0	3,389,922
Governmental activities capital assets, net	\$ 3,539,619	(74,697)	0	3,464,922

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 101,299	0	0	101,299
Less accumulated depreciation	86,423	2,440	0	88,863
Business-type activities capital assets, net	\$ 14,876	(2,440)	0	12,436

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,930
Other		2,104
Support services:		
Administration services		2,571
Operation and maintenance of plant		2,905
Transportation		24,918
		<u>37,428</u>
Unallocated depreciation		<u>107,123</u>
Total governmental activities depreciation expense		<u>\$ 144,551</u>
Business type activities:		
Food services		<u>\$ 2,440</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,100,000	995,000	1,100,000	995,000	80,000
Early retirement	11,505	193	5,849	5,849	5,849
Computer lease	157,170	0	47,413	109,757	52,227
Net OPEB liability	0	16,750	0	16,750	0
Total	\$ 1,268,675	1,011,943	1,153,262	1,127,356	138,076

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 0	1,250	0	1,250	0

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated April 26, 2010		
		Principal	Interest	Total
2011	4.00%	\$ 80,000	35,430	115,430
2012	4.00	85,000	31,745	116,745
2013	4.00	90,000	28,345	118,345
2014	3.25	95,000	24,745	119,745
2015	3.25	95,000	21,658	116,658
2016-2020	3.20-3.60	550,000	58,110	608,110
Total		\$ 995,000	200,033	1,195,033

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, 2010.

Computer Lease

During the year ended June 30, 2010 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, 2010 is as follows:

Year Ending June 30,	Computer lease issued July 1, 2008			
	Interest Rate	Principal	Interest	Total
2011	9.710	52,227	8,373	60,600
2012	9.710	57,530	3,070	60,600
Total		\$ 109,757	11,443	121,200

(7) Advance Refunding

On April 26, 2010, the District issued \$995,000 in general obligation bonds to advance refund \$995,000 to call the outstanding general obligation bonds dated May 1, 2000. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$136,587.

(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$104,453, \$103,422 and \$93,902 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 41 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with COBRA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 24,000
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>24,000</u>
Contributions made	(6,000)
Increase in net OPEB obligation	<u>18,000</u>
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	<u><u>\$ 18,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$6,000 to the plan. Plan members eligible for benefits contributed \$6,000 or 50% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$24,000	25.0%	\$18,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$173,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$173,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.141 million and the ratio of the UAAL to covered payroll was 15.16%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new

estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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, 2010 were \$154,667.

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 \$102,160 for the year ended June 30, 2010 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 ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Home school assistance program	\$ 4,388
Weighted at risk	862
Dropout prevention	47,649
Beginning teacher mentoring	1,954
Teacher salary supplement	13,396
Market factor	1,734
Model core curriculum	1,198
Professional development core curriculum	6,199
AIW/Teacher development	5,145
Teacher quality	6,312
Market factor incentives	2,221
	\$ 91,058
Total	\$ 91,058

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 1,670,897	65,762	1,736,659	1,698,324	1,698,324	38,335
State sources	1,120,214	1,454	1,121,668	1,465,177	1,465,177	(343,509)
Federal sources	218,331	64,460	282,791	260,000	260,000	22,791
Total revenues	<u>3,009,442</u>	<u>131,676</u>	<u>3,141,118</u>	<u>3,423,501</u>	<u>3,423,501</u>	<u>(282,383)</u>
Expenditures/Expenses:						
Instruction	1,767,737	0	1,767,737	2,130,335	2,130,335	362,598
Support services	873,014	187	873,201	1,206,221	1,206,221	333,020
Non-instructional programs	0	129,297	129,297	171,077	171,077	41,780
Other expenditures	448,720	0	448,720	693,601	693,601	244,881
Total expenditures/expenses	<u>3,089,471</u>	<u>129,484</u>	<u>3,218,955</u>	<u>4,201,234</u>	<u>4,201,234</u>	<u>982,279</u>
Excess(deficiency)of revenues over (under) expenditures/expenses	(80,029)	2,192	(77,837)	(777,733)	(777,733)	699,896
Other financing sources, net	24,316	0	24,316	1,500	1,500	22,816
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(55,713)	2,192	(53,521)	(776,233)	(776,233)	722,712
Balance beginning of year	926,583	44,063	970,646	1,000,127	1,000,127	(29,481)
Balance end of year	<u>\$ 870,870</u>	<u>46,255</u>	<u>917,125</u>	<u>223,894</u>	<u>223,894</u>	<u>693,231</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 173	173	0.0%	\$ 1,141	15.16%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Special Revenue			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 116,941	45,842	67,135	229,918
Receivables:				
Property tax:				
Delinquent	867	0	327	1,194
Succeeding year	50,000	0	34,476	84,476
Income surtax	0	0	39,981	39,981
TOTAL ASSETS	\$ 167,808	45,842	141,919	355,569
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 50,000	0	34,476	84,476
Income surtax	0	0	39,981	39,981
Total liabilities	50,000	0	74,457	124,457
Unreserved fund balances	117,808	45,842	67,462	231,112
TOTAL LIABILITIES AND FUND BALANCES	\$ 167,808	45,842	141,919	355,569

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 60,542	0	70,660	131,202
Other	6,994	106,686	623	114,303
TOTAL REVENUES	<u>67,536</u>	<u>106,686</u>	<u>71,283</u>	<u>245,505</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,564	0	0	4,564
Other	0	111,340	0	111,340
Support services:				
Instructional staff	5,849	0	7,459	13,308
Operation and maintenance of plant	43,202	0	34,927	78,129
Transportation	5,732	0	0	5,732
Other expenditures:				
Facilities acquisition	0	0	9,700	9,700
TOTAL EXPENDITURES	<u>59,347</u>	<u>111,340</u>	<u>52,086</u>	<u>222,773</u>
Excess(Deficiency) of revenues over(under) expenditures	8,189	(4,654)	19,197	22,732
Other financing uses:				
Transfers out	0	0	(30,300)	(30,300)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	8,189	(4,654)	(11,103)	(7,568)
Fund balance beginning of year	109,619	50,496	78,565	238,680
Fund balance end of year	<u>\$ 117,808</u>	<u>45,842</u>	<u>67,462</u>	<u>231,112</u>

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech/drama	\$ 2,009	3,631	3,052	2,588
Vocal music	141	2,310	2,346	105
Instrumental music	683	881	973	591
Boys/girls golf	0	474	474	0
Boys basketball	0	8,113	8,113	0
Football	0	9,871	9,871	0
Baseball	0	4,507	4,507	0
Boys track	0	4,095	4,095	0
Wrestling	0	2,979	2,979	0
Girls basketball	0	6,196	6,196	0
Volleyball	0	5,744	5,744	0
Softball	0	1,506	1,506	0
Girls track	0	1,890	1,890	0
Athletics	36,402	8,958	14,544	30,816
Interest	0	136	136	0
Sophomore class	250	421	377	294
Junior class	1,495	5,465	5,931	1,029
Senior class	0	3,134	3,134	0
Science club	170	0	0	170
Elementary special education	39	0	0	39
M.S. TAG	157	0	0	157
Art club	441	2	35	408
Drill team	369	324	373	320
Cheerleaders	591	1,497	1,904	184
FFA	2,633	9,929	9,144	3,418
National honor society	327	0	203	124
Student council	1,387	1,368	1,819	936
Elementary student council	156	141	1	296
Leadership	1,776	894	0	2,670
Athletic resale	0	1,807	1,790	17
District football	220	0	0	220
Miscellaneous	60	0	0	60
Change	100	0	0	100
Vocational education resale	0	231	231	0
Book fair	628	1,578	1,578	628
DC trip account	207	68	0	275
Annual	255	5,670	5,528	397
Elementary resale	0	1,771	1,771	0
Athletic concession	0	11,095	11,095	0
Total	\$ 50,496	106,686	111,340	45,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMABLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Shelby Co. Local Option/ Statewide Sales, Service and Use Tax	Audubon Co. Local Option/ Statewide Sales, Service and Use Tax	Total Capital Projects
ASSETS			
Cash and pooled investments	\$ 165,752	73,217	238,969
Due from other governments	44,664	19,390	64,054
TOTAL ASSETS	\$ 210,416	92,607	303,023
LIABILITIES AND FUND BALANCES			
Fund balances:			
Unreserved	\$ 210,416	92,607	303,023
TOTAL LIABILITIES AND FUND BALANCES	\$ 210,416	92,607	303,023

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, 2010

	Shelby Co. Local Option/ Statewide Sales, Service and Use Tax	Audubon Co. Local Option/ Statewide Sales, Service and Use Tax	Total
REVENUES:			
Local sources			
Local tax	\$ 109,135	51,458	160,593
Other	4,996	2,752	7,748
Total revenues	<u>114,131</u>	<u>54,210</u>	<u>168,341</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	906	3,747	4,653
Transportation	0	34,927	34,927
	<u>906</u>	<u>38,674</u>	<u>39,580</u>
Other expenditures:			
Facilities acquisitions	81,290	6,085	87,375
Total expenditures	<u>82,196</u>	<u>44,759</u>	<u>126,955</u>
Excess of revenues over expenditures	31,935	9,451	41,386
OTHER FINANCING USES:			
Transfer out	(65,000)	(30,300)	(95,300)
Net change in fund balances	(33,065)	(20,849)	(53,914)
Fund balance beginning of year	<u>243,481</u>	<u>113,456</u>	<u>356,937</u>
Fund balance end of year	<u>\$ 210,416</u>	<u>92,607</u>	<u>303,023</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2010

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
ASSETS						
Cash and pooled investments	\$ 103,509	9,546	9,461	40	240,571	363,127
NET ASSETS						
Reserved for scholarships	\$ 103,509	9,546	9,461	40	240,571	363,127

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, 2010

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
ADDITIONS:						
Local sources:						
Gifts and contributions	\$ 50	5,500	0	0	0	5,550
Interest income	4,282	43	49	0	6,443	10,817
	<u>4,332</u>	<u>5,543</u>	<u>49</u>	<u>0</u>	<u>6,443</u>	<u>16,367</u>
DEDUCTIONS:						
Instruction:						
Regular:						
Scholarships awarded	3,800	1,000	500	0	17,500	22,800
Changes in net assets	532	4,543	(451)	0	(11,057)	(6,433)
Net assets beginning of year	102,977	5,003	9,912	40	251,628	369,560
Net assets end of year	<u>\$ 103,509</u>	<u>9,546</u>	<u>9,461</u>	<u>40</u>	<u>240,571</u>	<u>363,127</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, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Washington DC Trip				
ASSETS:				
Cash and pooled investments	\$ 30,250	27,024	35,960	21,314
LIABILITIES:				
Due to other groups	\$ 30,250	27,024	35,960	21,314

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 TEN YEARS

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 1,383,354	1,260,216	1,168,595	1,175,179
Tuition	114,568	128,262	84,598	109,082
Other	172,975	153,373	175,948	181,170
Intermediate sources	0	0	0	0
State sources	1,120,214	1,497,301	1,475,803	1,417,074
Federal sources	218,331	113,567	127,791	96,707
Total	<u>\$ 3,009,442</u>	<u>3,152,719</u>	<u>3,032,735</u>	<u>2,979,212</u>
Expenditures:				
Instruction:				
Regular	\$ 1,083,102	1,155,706	1,114,078	1,079,688
Special	208,435	227,952	209,656	259,463
Other	476,200	433,875	432,914	360,725
Support services:				
Student	59,303	58,824	50,985	150
Instructional staff	81,468	295,634	144,404	98,958
Administration	290,390	311,956	314,303	326,237
Operation and maintenance of plant	300,099	255,681	280,736	264,301
Transportation	141,754	97,024	162,584	110,929
Other support services	0	0	0	0
Non-instructional programs:				
Food service operations	0	6,895	0	3,962
Other expenditures:				
Facilities acquisitions	97,075	49,726	120,993	62,816
Long-term debt:				
Principal	152,413	173,042	120,000	115,000
Interest	97,072	86,999	76,641	83,541
AEA flow-through	102,160	96,664	91,069	87,817
Total	<u>\$ 3,089,471</u>	<u>3,249,978</u>	<u>3,118,363</u>	<u>2,853,587</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2006	2005	2004	2003	2002	2001
1,086,481	1,072,688	1,075,598	1,009,188	955,052	942,090
82,357	71,362	64,620	44,888	40,521	42,691
213,359	172,011	189,199	185,103	322,869	414,792
0	3,654	3,724	4,076	8,478	0
1,352,854	1,293,271	1,258,812	1,346,245	1,333,565	1,292,098
97,399	93,308	142,586	65,327	60,050	290,784
<u>2,832,450</u>	<u>2,706,294</u>	<u>2,734,539</u>	<u>2,654,827</u>	<u>2,720,535</u>	<u>2,982,455</u>
956,796	896,033	1,041,208	986,592	1,000,698	937,988
162,069	224,310	200,496	192,647	163,315	213,176
490,688	413,418	316,805	316,295	363,376	345,672
41,975	48,006	49,912	49,164	50,822	48,976
116,993	128,037	51,224	57,703	46,448	62,748
413,472	345,495	320,360	312,188	305,475	264,527
248,328	243,046	234,692	226,987	235,965	216,253
111,328	165,618	90,764	76,936	132,509	69,617
0	6,927	21,345	15,601	15,783	6,805
4,200	6,702	6,156	5,893	7,308	6,792
60,005	22,093	42,191	108,623	1,073,713	1,672,368
110,000	100,000	95,000	90,000	85,000	105,000
90,541	96,141	101,841	107,241	112,342	118,791
85,228	84,404	86,147	93,721	93,478	95,936
<u>2,891,623</u>	<u>2,780,230</u>	<u>2,658,141</u>	<u>2,639,591</u>	<u>3,686,232</u>	<u>4,164,649</u>

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over financial reporting described in Part I of the accompanying Schedule of Findings as item I-A-10 to be 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

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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, 2010 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.

March 16, 2011

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-10 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 - The District will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 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-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- II-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June, 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	81,540
Statewide sales, services and use tax revenue			160,593
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	69,880	
Other improvements		87,375	
Debt service for school infrastructure:			
General obligation debt		65,000	222,255
		<u> </u>	<u> </u>
Ending balance		\$	<u>19,878</u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010, the District reduced the following levy:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.87509	\$ 65,000
Physical plant and equipment levy	1.00000	61,159

II-M-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

II-N-10 Payments to Officials - We noted during our audit that replacement officials were given checks written to scheduled officials when scheduled officials did not work. According to 279.30 of the Code of Iowa, "Each payment must be made payable to the person entitled to receive the money."

Recommendation - The District should write checks after the night of the event to ensure that the check is written to the official that worked the event.

Response - The District will make sure that all checks are written to the official entitled to receive the payment.

Conclusion - Response accepted.