

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

	<u>Page</u>	
Officials	3	
Independent Auditor's Report	5-6	
Management's Discussion and Analysis	7-16	
Basic Financial Statements:		<u>Exhibit</u>
Government-wide Financial Statements:		
Statement of Net Assets	18	A
Statement of Activities	19	B
Governmental Fund Financial Statements:		
Balance Sheet	20	C
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	21	D
Statement of Revenues, Expenditures and Changes in Fund Balances	22	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	23	F
Proprietary Fund Financial Statements:		
Statement of Net Assets	24	G
Statement of Revenues, Expenses and Changes in Fund Net Assets	25	H
Statement of Cash Flows	26	I
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Assets	27	J
Statement of Changes in Fiduciary Net Assets	28	K
Notes to Financial Statements	29-41	
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	44	
Notes to Required Supplementary Information - Budgetary Reporting	45	
Schedule of Funding Progress for the Retiree Health Plan	46	
Other Supplementary Information:		<u>Schedule</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	48	1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	49	2
Capital Project Funds:		
Combining Balance Sheet	50	3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	51	4
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	52	5
Fiduciary Funds:		
Combining Balance Sheet	53	6
Combining Statement of Changes in Fiduciary Net Assets	54	7
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	55	8
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	56-57	9
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 <u>Government Auditing Standards</u>	59-60	
Schedule of Findings	61-65	

Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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		
Dean Schnoes	Superintendent	2011
Cindy Paulsen	Business Manager	2011
Tami Jacobsen	District Secretary	2011
Ahlers & Cooney, P.C.	Attorney	2011

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, 2011, 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, 2011, 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 27, 2012 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 16 and 44 through 46 are not required parts of 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, 2010 (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.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,493,551 in fiscal 2010 to \$2,764,909 in fiscal 2011, while General Fund expenditures also increased from \$2,489,983 in fiscal 2010 to \$2,733,036 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$302,670 in fiscal 2010 to a balance of \$334,543 in fiscal 2011.
- The increase in General Fund revenues was attributable to increases in local and state source revenues in fiscal 2011. The increase in expenditures was due primarily to increases in regular instruction and support services expenditures. The increase in revenues was greater than the increase in expenditures, which 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

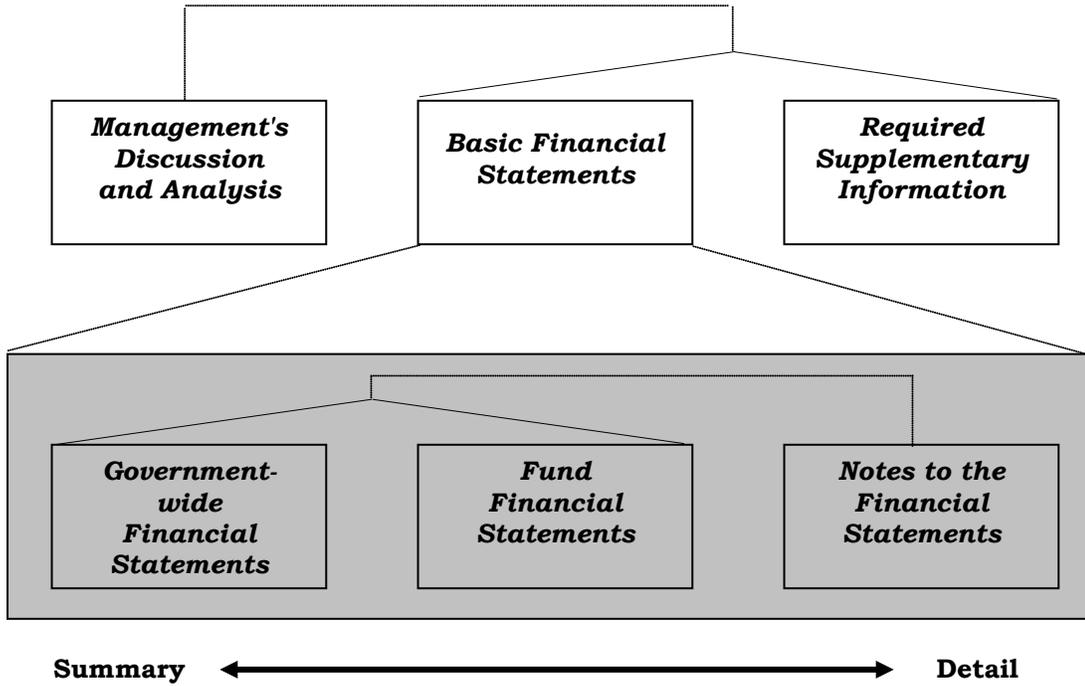


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2011 compared to June 30, 2010.

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,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 2,610,126	2,409,202	46,094	47,174	2,656,220	2,456,376	8.14%
Capital assets	3,358,637	3,464,922	16,045	12,436	3,374,682	3,477,358	-2.95%
Total assets	5,968,763	5,874,124	62,139	59,610	6,030,902	5,933,734	1.64%
Long-term liabilities	1,032,276	1,127,356	2,499	1,250	1,034,775	1,128,606	-8.31%
Other liabilities	1,488,805	1,403,689	11,875	12,105	1,500,680	1,415,794	6.00%
Total liabilities	2,521,081	2,531,045	14,374	13,355	2,535,455	2,544,400	-0.35%
Net assets:							
Invested in capital assets, net of related debt	2,385,676	2,360,165	16,045	12,436	2,401,721	2,372,601	1.23%
Restricted	760,679	653,409	0	0	760,679	653,409	16.42%
Unrestricted	301,327	329,505	31,720	33,819	333,047	363,324	-8.33%
Total net assets	\$ 3,447,682	3,343,079	47,765	46,255	3,495,447	3,389,334	3.13%

The District's combined net assets increased by \$106,113, or 3.13% over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with 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 \$107,270, or 16.42% over the prior year. The increase was primarily a result of the increase in the Capital Projects 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 \$30,277, or 8.33%. This decrease in unrestricted net assets was primarily a result of the increase in restrictions in categorical funding in the General Fund.

Figure A-4 shows the changes in total net assets for the years ended June 30, 2011 compared to the year ended June 30, 2010.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 217,972	254,501	58,853	65,300	276,825	319,801	-13.44%
Operating grants, contributions and restricted interest	272,066	526,533	66,556	65,914	338,622	592,447	-42.84%
General revenues:							
Property tax	1,115,484	1,055,883	0	0	1,115,484	1,055,883	5.64%
Income surtax	165,551	186,989	0	0	165,551	186,989	-11.46%
Statewide sales, services and use tax	160,937	160,593	0	0	160,937	160,593	0.21%
Unrestricted state grants	1,147,511	814,548	0	0	1,147,511	814,548	40.88%
Nonspecific program federal grants	24,171	0	0	0	24,171	0	100.00%
Unrestricted investment earnings	3,742	16,207	51	59	3,793	16,266	-76.68%
Other	173,905	15,299	590	403	174,495	15,702	1011.29%
Transfers	(6,598)	0	6,598	0	0	0	0.00%
Total revenues and transfers	3,274,741	3,030,553	132,648	131,676	3,407,389	3,162,229	7.75%
Program expenses:							
Governmental activities:							
Instructional	1,906,231	1,786,964	0	0	1,906,231	1,786,964	6.67%
Support services	1,009,433	809,139	0	187	1,009,433	809,326	24.73%
Non-instructional programs	0	0	131,138	129,297	131,138	129,297	1.42%
Other expenses	254,474	398,447	0	0	254,474	398,447	-36.13%
Total expenses	3,170,138	2,994,550	131,138	129,484	3,301,276	3,124,034	5.67%
Changes in net assets	104,603	36,003	1,510	2,192	106,113	38,195	-177.82%
Net assets beginning of year	3,343,079	3,307,076	46,255	44,063	3,389,334	3,351,139	1.14%
Net assets end of year	\$ 3,447,682	3,343,079	47,765	46,255	3,495,447	3,389,334	3.13%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 79.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 94.45% of the revenue from business type activities.

The District's total revenues were approximately \$3.41 million of which approximately \$3.28 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 7.75% increase in revenues and a 5.67% increase in expenses. The increase in revenues was due to increased local and state revenues during fiscal 2011. The increase in expenses is related to increases in support services.

Governmental Activities

Revenues for governmental activities were \$3,274,741 and expenses were \$3,170,138 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 1,906,231	1,786,964	6.67%	1,547,597	1,108,111	39.66%
Support services	1,009,433	809,139	24.75%	980,313	809,118	21.16%
Other expenses	254,474	398,447	-36.13%	152,190	296,287	-48.63%
Totals	<u>\$ 3,170,138</u>	<u>2,994,550</u>	<u>5.86%</u>	<u>2,680,100</u>	<u>2,213,516</u>	<u>21.08%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$217,972.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$272,066.
- The net cost of governmental activities was financed with \$1,115,484 in property tax, \$165,551 in income surtax, \$160,937 in statewide sales, services and use tax, \$1,147,511 in unrestricted state grants, \$24,171 in nonspecific program federal grants, \$3,742 in interest income and \$167,307 in other general revenues net of transfers.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2011 were \$132,648 representing a 0.74% increase over the prior year, while expenses totaled \$131,138, a 1.28% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$983,581, above last year's ending fund balances of \$870,870. The primary reason for the increase in ending fund balances is attributable to the increase in the Capital Projects Fund balance in fiscal 2011.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. Although there was an increase in expenditures, there was also a greater increase in revenues which lead to an increase in the financial position of the District.
- The General Fund balance increased from \$302,670 to \$334,543 due, in part, to the increase in local and state revenue sources compared to the previous year.
- The Capital Projects fund balance increased from \$370,485 in 2010 to \$445,661 in 2011. This was due to increased revenues and decreased expenditures as compared to the previous year. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$46,255 at June 30, 2010 to \$47,765 at June 30, 2011, representing an increase of 3.26%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$343 more than budgeted revenues, a variance of less than 1%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$3.37 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 2.95% 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 \$150,550.

The original cost of the District's capital assets was \$6,058,208. Governmental funds account for \$5,950,311 with the remainder of \$107,897 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 \$95,678 at June 30, 2011 compared to \$116,243 reported at June 30, 2010. This decrease was due to the depreciation taken during the year.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 75,000	75,000	0	0	75,000	75,000	0.00%
Buildings	3,173,574	3,253,255	0	0	3,173,574	3,253,255	-2.51%
Land improvements	30,430	32,860	0	0	30,430	32,860	-7.99%
Machinery and equipment	79,633	103,807	16,045	12,436	95,678	116,243	-21.49%
Total	\$ 3,358,637	3,464,922	16,045	12,436	3,374,682	3,477,358	-2.95%

Long-Term Debt

At June 30, 2011, the District had \$1,034,775 in total long-term debt outstanding. This represents a decrease of 8.31% 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 \$915,000 at June 30, 2011.

The District had early retirement benefits payable of \$25,836 at June 30, 2011.

The District had a computer lease payable in the amount of \$57,961 at June 30, 2011.

The District had a net OPEB liability of \$35,978 at June 30, 2011.

Figure A-7 Outstanding Long-Term Obligations							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 915,000	995,000	0	0	915,000	995,000	-8.04%
Early retirement	25,836	5,849	0	0	25,836	5,849	341.72%
Computer lease	57,961	109,757	0	0	57,961	109,757	-47.19%
Net OPEB liability	33,479	16,750	2,499	1,250	35,978	18,000	99.88%
Total	\$ 1,032,276	1,127,356	2,499	1,250	1,034,775	1,128,606	-8.31%

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.

BASIC FINANCIAL STATEMENTS

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,187,620	42,304	1,229,924
Receivables:			
Property tax:			
Delinquent	18,217	0	18,217
Succeeding year	1,113,923	0	1,113,923
Income surtax	143,031	0	143,031
Due from other governments	147,335	0	147,335
Inventories	0	3,790	3,790
Capital assets, net of accumulated depreciation	3,358,637	16,045	3,374,682
Total assets	5,968,763	62,139	6,030,902
Liabilities			
Accounts payable	64,937	0	64,937
Salaries and benefits payable	256,109	10,754	266,863
Interest payable	5,291	0	5,291
Deferred revenue:			
Succeeding year property tax	1,113,923	0	1,113,923
Other	48,545	0	48,545
Unearned revenue	0	1,121	1,121
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	85,000	0	85,000
Computer lease payable	57,961	0	57,961
Early retirement payable	12,918	0	12,918
Portion due after one year:			
General obligation bonds payable	830,000	0	830,000
Early retirement payable	12,918	0	12,918
Net OPEB liability	33,479	2,499	35,978
Total liabilities	2,521,081	14,374	2,535,455
Net Assets			
Invested in capital assets, net of related debt	2,385,676	16,045	2,401,721
Restricted for:			
Categorical funding	137,477	0	137,477
Management levy purposes	96,563	0	96,563
Student activities	46,790	0	46,790
Debt service	34,188	0	34,188
School infrastructure	336,644	0	336,644
Physical plant and equipment	109,017	0	109,017
Unrestricted	301,327	31,720	333,047
Total net assets	\$ 3,447,682	47,765	3,495,447

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,158,397	89,774	50,346	(1,018,277)	0	(1,018,277)
Special	249,261	0	31,365	(217,896)	0	(217,896)
Other	498,573	128,198	58,951	(311,424)	0	(311,424)
	<u>1,906,231</u>	<u>217,972</u>	<u>140,662</u>	<u>(1,547,597)</u>	<u>0</u>	<u>(1,547,597)</u>
Support services:						
Student	63,332	0	0	(63,332)	0	(63,332)
Instructional staff	112,154	0	29,120	(83,034)	0	(83,034)
Administration	360,103	0	0	(360,103)	0	(360,103)
Operation and maintenance of plant	302,745	0	0	(302,745)	0	(302,745)
Transportation	171,099	0	0	(171,099)	0	(171,099)
	<u>1,009,433</u>	<u>0</u>	<u>29,120</u>	<u>(980,313)</u>	<u>0</u>	<u>(980,313)</u>
Other expenditures:						
Long-term debt interest	39,634	0	0	(39,634)	0	(39,634)
AEA flowthrough	102,284	0	102,284	0	0	0
Depreciation(unallocated)*	112,556	0	0	(112,556)	0	(112,556)
	<u>254,474</u>	<u>0</u>	<u>102,284</u>	<u>(152,190)</u>	<u>0</u>	<u>(152,190)</u>
Total governmental activities	3,170,138	217,972	272,066	(2,680,100)	0	(2,680,100)
Business type activities:						
Non-instructional programs:						
Food service operations	131,138	58,853	66,556	0	(5,729)	(5,729)
Total business type activities	<u>131,138</u>	<u>58,853</u>	<u>66,556</u>	<u>0</u>	<u>(5,729)</u>	<u>(5,729)</u>
Total	\$ 3,301,276	276,825	338,622	(2,680,100)	(5,729)	(2,685,829)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 995,102	0	995,102
Debt services				85,884	0	85,884
Capital outlay				34,498	0	34,498
Income surtax				165,551	0	165,551
Statewide sales, services and use tax				160,937	0	160,937
Unrestricted state grants				1,147,511	0	1,147,511
Nonspecific program federal grants				24,171	0	24,171
Unrestricted investment earnings				3,742	51	3,793
Other				173,905	590	174,495
Transfers				(6,598)	6,598	0
Total general revenues and transfers				<u>2,784,703</u>	<u>7,239</u>	<u>2,791,942</u>
Changes in net assets				104,603	1,510	106,113
Net assets beginning of year				<u>3,343,079</u>	<u>46,255</u>	<u>3,389,334</u>
Net assets end of year				\$ <u>3,447,682</u>	<u>47,765</u>	<u>3,495,447</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 596,455	394,679	196,486	1,187,620
Receivables:				
Property tax:				
Delinquent	15,474	551	2,192	18,217
Succeeding year	943,617	34,476	135,830	1,113,923
Income surtax	107,273	35,758	0	143,031
Due from other funds	0	0	4,699	4,699
Due from other governments	96,229	51,106	0	147,335
Total assets	\$ 1,759,048	516,570	339,207	2,614,825
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 64,262	675	0	64,937
Salaries and benefits payable	256,109	0	0	256,109
Due to other funds	4,699	0	0	4,699
Deferred revenue:				
Succeeding year property tax	943,617	34,476	135,830	1,113,923
Income surtax	107,273	35,758	0	143,031
Other	48,545	0	0	48,545
Total liabilities	1,424,505	70,909	135,830	1,631,244
Fund balances:				
Restricted for:				
Categorical funding	137,477	0	0	137,477
Management levy purposes	0	0	122,399	122,399
Student activities	0	0	46,790	46,790
Debt service	0	0	34,188	34,188
School infrastructure	0	336,644	0	336,644
Physical plant and equipment	0	109,017	0	109,017
Unassigned	197,066	0	0	197,066
Total fund balances	334,543	445,661	203,377	983,581
Total liabilities and fund balances	\$ 1,759,048	516,570	339,207	2,614,825

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, 2011

Total fund balances of governmental funds(page 20) \$ 983,581

***Amounts reported for governmental activities in the
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 3,358,637

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. 143,031

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. (1,032,276)

Net assets of governmental activities(page 18) \$ 3,447,682

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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,061,052	241,864	135,959	1,438,875
Tuition	84,845	0	0	84,845
Other	176,841	2,106	133,404	312,351
State sources	1,312,360	0	0	1,312,360
Federal sources	129,811	0	0	129,811
Total revenues	<u>2,764,909</u>	<u>243,970</u>	<u>269,363</u>	<u>3,278,242</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,119,823	0	220	1,120,043
Special	249,261	0	0	249,261
Other	370,004	0	126,464	496,468
	<u>1,739,088</u>	<u>0</u>	<u>126,684</u>	<u>1,865,772</u>
Support services:				
Student	60,538	0	0	60,538
Instructional staff	102,955	20,030	5,849	128,834
Administration	353,805	0	0	353,805
Operation and maintenance of plant	233,325	0	40,270	273,595
Transportation	141,041	0	5,018	146,059
	<u>891,664</u>	<u>20,030</u>	<u>51,137</u>	<u>962,831</u>
Other expenditures:				
Facilities acquisitions	0	63,214	0	63,214
Long-term debt:				
Principal	0	0	131,796	131,796
Interest and fiscal charges	0	0	39,634	39,634
AEA flowthrough	102,284	0	0	102,284
	<u>102,284</u>	<u>63,214</u>	<u>171,430</u>	<u>336,928</u>
Total expenditures	<u>2,733,036</u>	<u>83,244</u>	<u>349,251</u>	<u>3,165,531</u>
Excess(Deficiency)of revenues over(under)expenditures	31,873	160,726	(79,888)	112,711
Other financing sources(uses):				
Transfers in	0	0	85,550	85,550
Transfers out	0	(85,550)	0	(85,550)
Total other financing sources(uses)	<u>0</u>	<u>(85,550)</u>	<u>85,550</u>	<u>0</u>
Net change in fund balances	31,873	75,176	5,662	112,711
Fund balances beginning of year, as restated	302,670	370,485	197,715	870,870
Fund balances end of year	<u>\$ 334,543</u>	<u>445,661</u>	<u>203,377</u>	<u>983,581</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 112,711

*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	\$ 41,276	
Depreciation expense	(147,561)	(106,285)

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. 131,796

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,097

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	(19,987)	
Other postemployment benefits	(16,729)	(36,716)

Changes in net assets of governmental activities(page 19) \$ 104,603

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 42,304
Inventories	3,790
Capital assets, net of accumulated depreciation	<u>16,045</u>
Total assets	<u>62,139</u>
Liabilities	
Salaries and benefits payable	10,754
Unearned revenues	1,121
Net OPEB liability	<u>2,499</u>
Total liabilities	<u>14,374</u>
Net Assets	
Invested in capital assets	16,045
Unrestricted	<u>31,720</u>
Total net assets	<u>\$ 47,765</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, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 58,853
Miscellaneous	590
Total operating revenues	59,443
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	45,511
Benefits	23,917
Services	851
Supplies	57,870
Depreciation	2,989
Total operating expenses	131,138
Operating loss	(71,695)
Non-operating revenues:	
Interest income	51
State sources	1,307
Federal sources	65,249
Total non-operating revenues	66,607
Change in net assets before capital contributions	(5,088)
Capital contributions	6,598
Change in net assets	1,510
Net assets at beginning of year	46,255
Net assets end of year	\$ 47,765

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 58,884
Cash received from miscellaneous operating activities	590
Cash payments to employees for services	(68,440)
Cash payments to suppliers for goods or services	(48,860)
Net cash used in operating activities	(57,826)
Cash flows from non-capital financing activities:	
State grants received	1,307
Federal grants received	55,800
Net cash provided by non-capital financing activities	57,107
Cash flows from investing activities:	
Interest on investments	51
Net decrease in cash and cash equivalents	(668)
Cash and cash equivalents at beginning of year	42,972
Cash and cash equivalents at end of year	\$ 42,304
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (71,695)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,449
Depreciation	2,989
Decrease in inventories	412
Decrease in salaries and benefits payable	(261)
Increase in unearned revenue	31
Increase in other postemployment benefits	1,249
Net cash used in operating activities	\$ (57,826)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2011, the District received Federal commodities valued at \$9,449.	
During the year ended June 30, 2011, the District received capital contributions valued at \$4,048 from the Capital Projects: Physical Plant and Equipment Levy, and \$2,550 from the Capital Projects: Statewide Sales, Services and Use Tax Fund.	

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 348,184	6,402
Liabilities		
Due to other groups	<u>0</u>	<u>6,402</u>
Net Assets		
Restricted for scholarships	<u>\$ 348,184</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, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,120
Interest income	4,257
Total additions	<u>5,377</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>20,320</u>
Change in net assets	(14,943)
Net assets beginning of year	<u>363,127</u>
Net assets end of year	<u>\$ 348,184</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary fund:

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.

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

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 1% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Unassigned - All amounts not included in other spendable classifications.

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. During the year ended June 30, 2011 expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 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, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
Debt Service	Physical Plant and Equipment Levy	\$ 27,775
	Capital Projects:	
Debt Service	Statwide Sales, Services and Use Tax - Audubon Co.	27,775
	Capital Projects:	
Debt Service	Statwide Sales, Services and Use Tax - Shelby Co.	<u>30,000</u>
Total		<u>\$ 85,550</u>

The transfer from Capital Projects: Physical Plant and Equipment Levy was needed to make payments for a computer lease.

The transfers from the Capital Projects: Statewide Sales, Services and Use Tax funds was needed to make payments for a computer lease and payments for general obligation bonds.

(4) Due To and Due From Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Management Levy	General	<u>\$ 4,699</u>

The General Fund is repaying the Special Revenue: Management Levy Fund for the Safety Dividend, which was recorded in the General Fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 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	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>75,000</u>
Capital assets being depreciated:				
Buildings	5,182,560	30,445	0	5,213,005
Land improvements	48,608	0	0	48,608
Machinery and equipment	602,867	10,831	0	613,698
Total capital assets being depreciated	<u>5,834,035</u>	<u>41,276</u>	<u>0</u>	<u>5,875,311</u>
Less accumulated depreciation for:				
Buildings	1,929,305	110,126	0	2,039,431
Land improvements	15,748	2,430	0	18,178
Machinery and equipment	499,060	35,005	0	534,065
Total accumulated depreciation	<u>2,444,113</u>	<u>147,561</u>	<u>0</u>	<u>2,591,674</u>
Total capital assets being depreciated, net	<u>3,389,922</u>	<u>(106,285)</u>	<u>0</u>	<u>3,283,637</u>
Governmental activities capital assets, net	<u>\$ 3,464,922</u>	<u>(106,285)</u>	<u>0</u>	<u>3,358,637</u>
Business type activities:				
Machinery and equipment	\$ 101,299	6,598	0	107,897
Less accumulated depreciation	88,863	2,989	0	91,852
Business-type activities capital assets, net	<u>\$ 12,436</u>	<u>3,609</u>	<u>0</u>	<u>16,045</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 340
Other	2,105
Support services:	
Student	2,166
Administration	2,571
Operation and maintenance of plant	2,905
Transportation	24,918
	<u>35,005</u>
Unallocated depreciation	<u>112,556</u>
Total governmental activities depreciation expense	<u>\$ 147,561</u>
Business type activities:	
Food services	<u>\$ 2,989</u>

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 995,000	0	80,000	915,000	85,000
Early retirement	5,849	25,836	5,849	25,836	12,918
Computer lease	109,757	0	51,796	57,961	57,961
Net OPEB liability	16,750	16,729	0	33,479	0
Total	\$ 1,127,356	42,565	137,645	1,032,276	155,879
Business type activities:					
Net OPEB liability	\$ 1,250	1,249	0	2,499	0

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated April 26, 2010			
		Principal	Interest	Total	
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		\$ 915,000	164,603	1,079,603	

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. During the year ended June 30, 2011, the District paid \$5,849 of early retirement benefit payments.

Computer Lease

Details of the District's June 30, 2011 computer lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Computer lease issued July 1, 2008			
		Principal	Interest	Total	
2012	9.710	% \$ 57,961	3,070	61,031	

(7) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$110,979, \$104,453, and \$103,422 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

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, 2011, 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	810
Adjustment to annual required contribution	(832)
Annual OPEB cost	<u>23,978</u>
Contributions made	(6,000)
Increase in net OPEB obligation	<u>17,978</u>
Net OPEB obligation beginning of year	18,000
Net OPEB obligation end of year	<u><u>\$ 35,978</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, 2011.

For the year ended June 30, 2011, the District contributed \$6,000 to the plan. Plan members eligible for benefits contributed \$0 or 0% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$24,000	25.00%	\$18,000
2011	\$23,978	25.02%	\$35,978

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$980,671 and the ratio of the UAAL to covered payroll was 17.64%.

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.

(9) 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, 2011 were \$195,289.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$102,284 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 12,249
Weighted at risk	7,469
Dropout prevention	72,493
Beginning teacher mentoring	2,339
Teacher salary supplement	13,143
Statewide voluntary preschool	2,580
Market factor	1,734
Model core curriculum	894
Professional development core curriculum	10,441
AIW/Teacher development	3,621
Teacher quality	8,293
Market factor incentives	2,221
Total	<u>\$ 137,477</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 303,023	67,462
Changes in fund type classification per implementation of GASB Statement No. 54	<u>67,462</u>	<u>(67,462)</u>
Balances July 1, 2010, as restated	<u>\$ 370,485</u>	<u>0</u>

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amounts budgeted.

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,836,071	59,494	1,895,565	1,816,957	1,816,957	78,608
State sources	1,312,360	1,307	1,313,667	1,420,992	1,420,992	(107,325)
Federal sources	129,811	65,249	195,060	166,000	166,000	29,060
Total revenues	<u>3,278,242</u>	<u>126,050</u>	<u>3,404,292</u>	<u>3,403,949</u>	<u>3,403,949</u>	<u>343</u>
Expenditures/Expenses:						
Instruction	1,865,772	0	1,865,772	2,090,000	2,090,000	224,228
Support services	962,831	0	962,831	1,368,300	1,368,300	405,469
Non-instructional programs	0	131,138	131,138	210,000	210,000	78,862
Other expenditures	336,928	0	336,928	252,891	252,891	(84,037)
Total expenditures/expenses	<u>3,165,531</u>	<u>131,138</u>	<u>3,296,669</u>	<u>3,921,191</u>	<u>3,921,191</u>	<u>624,522</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	112,711	(5,088)	107,623	(517,242)	(517,242)	624,865
Other financing sources, net	0	6,598	6,598	(30,600)	(30,600)	37,198
Excess(Deficiency)of revenues and other financing sources over(under) expenditures/expenses and other financing uses	112,711	1,510	114,221	(547,842)	(547,842)	662,063
Balance beginning of year	870,870	46,255	917,125	738,363	738,363	178,762
Balance end of year	<u>\$ 983,581</u>	<u>47,765</u>	<u>1,031,346</u>	<u>190,521</u>	<u>190,521</u>	<u>840,825</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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.

During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the amount budgeted.

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	-	\$ 173,000	173,000	0.0%	\$ 1,140,850	15.16%
2011	July 1, 2009	-	173,000	173,000	0.0%	980,671	17.64%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
Assets					
Cash and pooled investments	\$ 116,880	46,790	163,670	32,816	196,486
Receivables:					
Property tax:					
Delinquent	820	0	820	1,372	2,192
Succeeding year	50,000	0	50,000	85,830	135,830
Due from other funds	4,699	0	4,699	0	4,699
Total assets	\$ 172,399	46,790	219,189	120,018	339,207
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 50,000	0	50,000	85,830	135,830
Fund Balances:					
Restricted for:					
Management levy purposes	122,399	0	122,399	0	122,399
Student activities	0	46,790	46,790	0	46,790
Debt service	0	0	0	34,188	34,188
Total fund balances	122,399	46,790	169,189	34,188	203,377
Total liabilities and fund balances	\$ 172,399	46,790	219,189	120,018	339,207

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ 50,075	0	50,075	85,884	135,959
Other	5,873	127,412	133,285	119	133,404
Total revenues	55,948	127,412	183,360	86,003	269,363
Expenditures:					
Current:					
Instruction:					
Regular	220	0	220	0	220
Other	0	126,464	126,464	0	126,464
Support services:					
Instructional staff	5,849	0	5,849	0	5,849
Operation and maintenance of plant	40,270	0	40,270	0	40,270
Transportation	5,018	0	5,018	0	5,018
Other expenditures:					
Long-term debt:					
Principal	0	0	0	131,796	131,796
Interest and fiscal charges	0	0	0	39,634	39,634
Total expenditures	51,357	126,464	177,821	171,430	349,251
Excess(Deficiency) of revenues over(under) expenditures	4,591	948	5,539	(85,427)	(79,888)
Other financing sources:					
Transfer in	0	0	0	85,550	85,550
Excess of revenues and other financing sources over expenditures	4,591	948	5,539	123	5,662
Fund balances beginning of year, as restated	117,808	45,842	163,650	34,065	197,715
Fund balances end of year	\$ 122,399	46,790	169,189	34,188	203,377

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects				
	Shelby Co. Statewide Sales, Services and Use Tax	Audubon Co. Statewide Sales, Services and Use Tax	Cass Co. Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Capital Projects
Assets					
Cash and pooled investments	\$ 188,707	96,261	570	109,141	394,679
Receivables:					
Property tax:					
Delinquent	0	0	0	551	551
Succeeding year	0	0	0	34,476	34,476
Income surtax	0	0	0	35,758	35,758
Due from other governments	30,575	20,410	121	0	51,106
Total assets	\$ 219,282	116,671	691	179,926	516,570
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 0	0	0	675	675
Deferred revenue:					
Succeeding year property tax	0	0	0	34,476	34,476
Income surtax	0	0	0	35,758	35,758
Total liabilities	0	0	0	70,909	70,909
Fund balances:					
Restricted for:					
School infrastructure	219,282	116,671	691	0	336,644
Physical plant and equipment	0	0	0	109,017	109,017
Total fund balances	219,282	116,671	691	109,017	445,661
Total liabilities and fund balances	\$ 219,282	116,671	691	179,926	516,570

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects				
	Shelby Co. Statewide Sales, Services and Use Tax	Audubon Co. Statewide Sales, Services and Use Tax	Cass Co. Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Capital Projects
Revenues:					
Local sources:					
Local tax	\$ 98,586	61,660	691	80,927	241,864
Other	1,365	473	0	268	2,106
Total revenues	99,951	62,133	691	81,195	243,970
Expenditures:					
Current:					
Support services:					
Instructional staff	18,749	802	0	479	20,030
Other expenditures:					
Facilities acquisition	42,336	9,492	0	11,386	63,214
Total expenditures	61,085	10,294	0	11,865	83,244
Excess of revenues over expenditures	38,866	51,839	691	69,330	160,726
Other financing uses:					
Transfers out	(30,000)	(27,775)	0	(27,775)	(85,550)
Excess of revenues and other financing uses over expenditures	8,866	24,064	691	41,555	75,176
Fund balances beginning of year, as restated	210,416	92,607	0	67,462	370,485
Fund balances end of year	\$ 219,282	116,671	691	109,017	445,661

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Speech/drama	\$ 2,588	0	991	1,597
Vocal music	105	6,583	4,935	1,753
Instrumental music	591	200	95	696
Boys/girls golf	0	363	363	0
Boys basketball	0	17,771	17,771	0
Football	0	6,296	4,629	1,667
Baseball	0	5,731	5,731	0
Boys track	0	4,571	4,571	0
Wrestling	0	917	822	95
Girls basketball	0	4,905	4,905	0
Volleyball	0	5,402	5,402	0
Softball	0	2,726	2,726	0
Girls track	0	1,920	1,920	0
Athletics	30,816	13,494	18,641	25,669
Sophomore class	294	252	294	252
Junior class	1,029	5,590	3,914	2,705
Senior class	0	1,631	1,631	0
Science club	170	2,262	2,144	288
Elementary special education	39	0	22	17
M.S. TAG	157	0	11	146
Art club	408	0	0	408
Drill team	320	2,878	3,198	0
Cheerleaders	184	4,263	2,826	1,621
FFA	3,418	9,367	8,665	4,120
National honor society	124	434	113	445
Student council	936	1,053	1,336	653
Elementary student council	296	110	0	406
Leadership	2,670	416	339	2,747
Athletic resale	17	1,917	1,934	0
District football	220	0	0	220
Miscellaneous	60	0	60	0
Change	100	150	150	100
Vocational education resale	0	182	182	0
Book fair	628	1,138	1,138	628
DC trip account	275	34	0	309
Honor Band	0	8,930	8,880	50
Annual	397	5,828	6,027	198
Elementary resale	0	1,539	1,539	0
Athletic concession	0	8,559	8,559	0
Total	\$ 45,842	127,412	126,464	46,790

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund					
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Total
Assets						
Cash and pooled investments	\$ 103,208	8,580	8,996	40	227,360	348,184
Liabilities						
	0	0	0	0	0	0
Net Assets						
Restricted for scholarships	\$ 103,208	8,580	8,996	40	227,360	348,184

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, 2011

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
Additions:						
Local sources:						
Gifts and contributions	\$ 1,120	0	0	0	0	1,120
Interest income	1,079	34	35	0	3,109	4,257
Total additions	2,199	34	35	0	3,109	5,377
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	2,500	1,000	500	0	16,320	20,320
Changes in net assets	(301)	(966)	(465)	0	(13,211)	(14,943)
Net assets beginning of year	103,509	9,546	9,461	40	240,571	363,127
Net assets end of year	\$ 103,208	8,580	8,996	40	227,360	348,184

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, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Washington DC Trip				
Assets				
Cash and pooled investments	\$ 21,314	14,356	29,268	6,402
Liabilities				
Due to other groups	\$ 21,314	14,356	29,268	6,402

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

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 1,438,875	1,383,354	1,260,216	1,168,595
Tuition	84,845	114,568	128,262	84,598
Other	312,351	172,975	153,373	175,948
Intermediate sources	0	0	0	0
State sources	1,312,360	1,120,214	1,497,301	1,475,803
Federal sources	129,811	218,331	113,567	127,791
Total	\$ 3,278,242	3,009,442	3,152,719	3,032,735
Expenditures:				
Instruction:				
Regular	\$ 1,120,043	1,083,102	1,155,706	1,114,078
Special	249,261	208,435	227,952	209,656
Other	496,468	476,200	433,875	432,914
Support services:				
Student	60,538	59,303	58,824	50,985
Instructional staff	128,834	81,468	295,634	144,404
Administration	353,805	290,390	311,956	314,303
Operation and maintenance of plant	273,595	300,099	255,681	280,736
Transportation	146,059	141,754	97,024	162,584
Other support services	0	0	0	0
Non-instructional programs:				
Food service operations	0	0	6,895	0
Other expenditures:				
Facilities acquisitions	63,214	97,075	49,726	120,993
Long-term debt:				
Principal	131,796	152,413	173,042	120,000
Interest and fiscal charges	39,634	97,072	86,999	76,641
AEA flow-through	102,284	102,160	96,664	91,069
Total	\$ 3,165,531	3,089,471	3,249,978	3,118,363

Modified Accrual Basis					
Years Ended June 30,					
2007	2006	2005	2004	2003	2002
1,175,179	1,086,481	1,072,688	1,075,598	1,009,188	955,052
109,082	82,357	71,362	64,620	44,888	40,521
181,170	213,359	172,011	189,199	185,103	322,869
0	0	3,654	3,724	4,076	8,478
1,417,074	1,352,854	1,293,271	1,258,812	1,346,245	1,333,565
96,707	97,399	93,308	142,586	65,327	60,050
<u>2,979,212</u>	<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>
1,079,688	956,796	896,033	1,041,208	986,592	1,000,698
259,463	162,069	224,310	200,496	192,647	163,315
360,725	490,688	413,418	316,805	316,295	363,376
150	41,975	48,006	49,912	49,164	50,822
98,958	116,993	128,037	51,224	57,703	46,448
326,237	413,472	345,495	320,360	312,188	305,475
264,301	248,328	243,046	234,692	226,987	235,965
110,929	111,328	165,618	90,764	76,936	132,509
0	0	6,927	21,345	15,601	15,783
3,962	4,200	6,702	6,156	5,893	7,308
62,816	60,005	22,093	42,191	108,623	1,073,713
115,000	110,000	100,000	95,000	90,000	85,000
83,541	90,541	96,141	101,841	107,241	112,342
87,817	85,228	84,404	86,147	93,721	93,478
<u>2,853,587</u>	<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>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2012. 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-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-11 through I-E-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 27, 2012

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-11 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.

I-B-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and deprecation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. We booked material amounts of receivables.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will send their business manager to the training provided by IASBO.

Conclusion - Response accepted.

I-C-11 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state

and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

It would appear that book fairs transactions are administratively maintained in nature, rather than maintained by a club or organization. Therefore, they should be accounted for in the General Fund. The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund.

Response - The book fair accounts will be moved to the proper fund and will keep the book fair out of the Student Activity account.

Conclusion - Response accepted.

I-D-11 General Fund Invoices - We noted one instance out of 21 selected disbursements where a payment was made with a vendor statement used as supporting documentation rather than an invoice detailing what was purchased. We also noted some instances of checks being written to vendors without an invoice or statement for supporting documentation.

Recommendation - Better internal control is achieved if the purchase order is used as an authorization for purchase and then matched to the invoice when received. The invoice should serve as the support document when preparing the check for payment. In addition the invoice should be present for the individuals signing the check, as well as available for the Board. Chapter 279.29 of the Code of Iowa in part states, "The board shall audit and allow all just claims against the corporation, and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Logically if an invoice is not available, the Board cannot fulfill the requirement in the process of approving the bill for payment. The District should review the procedures in place and make necessary changes.

Response - The District will review and put into place the proper procedures for paying invoices.

Conclusion - Response accepted.

I-E-11 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District has not used time sheets for non-certified coaches but will review policies and make proper changes.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures function.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will make proper budget adjustments when warranted.

Conclusion - Response accepted.

- II-B-11 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-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we did note the District reimbursed an employee for Senior Class Trip expenses without a detailed receipt.

Recommendation - The District needs to review its procedures to ensure that all travel reimbursements have appropriate supporting documentation. The District should not reimburse employees unless they have an itemized receipt or supporting invoice. The District should review and continue to monitor its procedures in place for employee reimbursement.

Response - The District will review and follow proper reimbursement for travel expenses for employees.

Conclusion - Response accepted.

- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

- II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board; however, the board minutes are not being signed by the Board President. The District procedure is for both the Board Secretary and Board President to sign the minutes. Currently they are only being signed by the Board Secretary.

Recommendation - The Board President and the Board Secretary should sign all board minutes, in compliance with board practice.

Response - The District will have both the Board Secretary and Board President sign board minutes.

Conclusion - Response accepted.

II-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by .10 students.

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

Response - The District has contacted the Iowa Department of Education and the Department of Management to resolve the matter.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 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-11 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-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	303,023
Revenues/transfers in:			
Sales tax revenues	\$	160,937	
Other local revenues		1,838	162,775
		<u> </u>	<u>465,798</u>
Expenditures/transfers out:			
Equipment	\$	19,551	
Other		51,828	
Transfers to other funds:			
Debt service fund		57,775	129,154
		<u> </u>	<u>129,154</u>
Ending balance		\$	<u><u>336,644</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under 423E or 423F of the Code of Iowa.

II-M-11 Charging for Field Trips - We noted during our audit that the District is charging students a portion of the cost of field trips, and the days are included in their 180 days of instruction.

Recommendation - According to the Department of Education Declaratory Ruling dated April 2008, “costs associated with field trips may not be passed along to students if the trips are part of a class, whether or not attendance is mandatory. When a field trip is part of a class, it is considered part of instruction, and falls under tuition.” If the field trip is not part of instruction, the trip should not be taking place on an instruction day.

Response - The District will review and make proper changes to field trip expenses.

Conclusion - Response accepted.