

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mark Smith	President (Resigned April 8, 2013)	2015
Kevin Petersen	President (Appointed April 8, 2013)	2013
Kevin Petersen	Vice President (Resigned April 8, 2013)	2013
Joel Schlueter	Vice President (Appointed April 8, 2013)	2015
Joel Schlueter	Board Member (Resigned April 8, 2013)	2015
Tamie Fahn	Board Member	2013
Stacie Larsen	Board Member	2013
John Leader	Board Member (Appointed April 8, 2013)	2013
School Officials		
Dean Schnoes	Superintendent	2013
Marie Larsen	Business Manager	2013
Tami Jacobsen	District Secretary/Treasurer	2013
Ahlers & Cooney P.C.	Attorney	2013

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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Elk Horn-Kimballton Community School District, Elk Horn, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Elk Horn-Kimballton Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elk Horn-Kimballton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014 on our consideration of Elk Horn Kimballton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Elk Horn-Kimballton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,478,990 in fiscal 2012 to \$3,202,213 in fiscal 2013, and General Fund expenditures decreased from \$3,252,695 in fiscal 2012 to \$3,234,007 in fiscal 2013. The District's General Fund balance decreased from \$560,838 in fiscal 2012 to \$529,044 in fiscal 2013.
- The decrease in General Fund revenues was attributable to decreases in state and federal source revenues in 2013. The decrease in expenditures was due primarily to decreases in regular instruction expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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 custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year; as well as presenting the Schedule of Funding Progress for Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

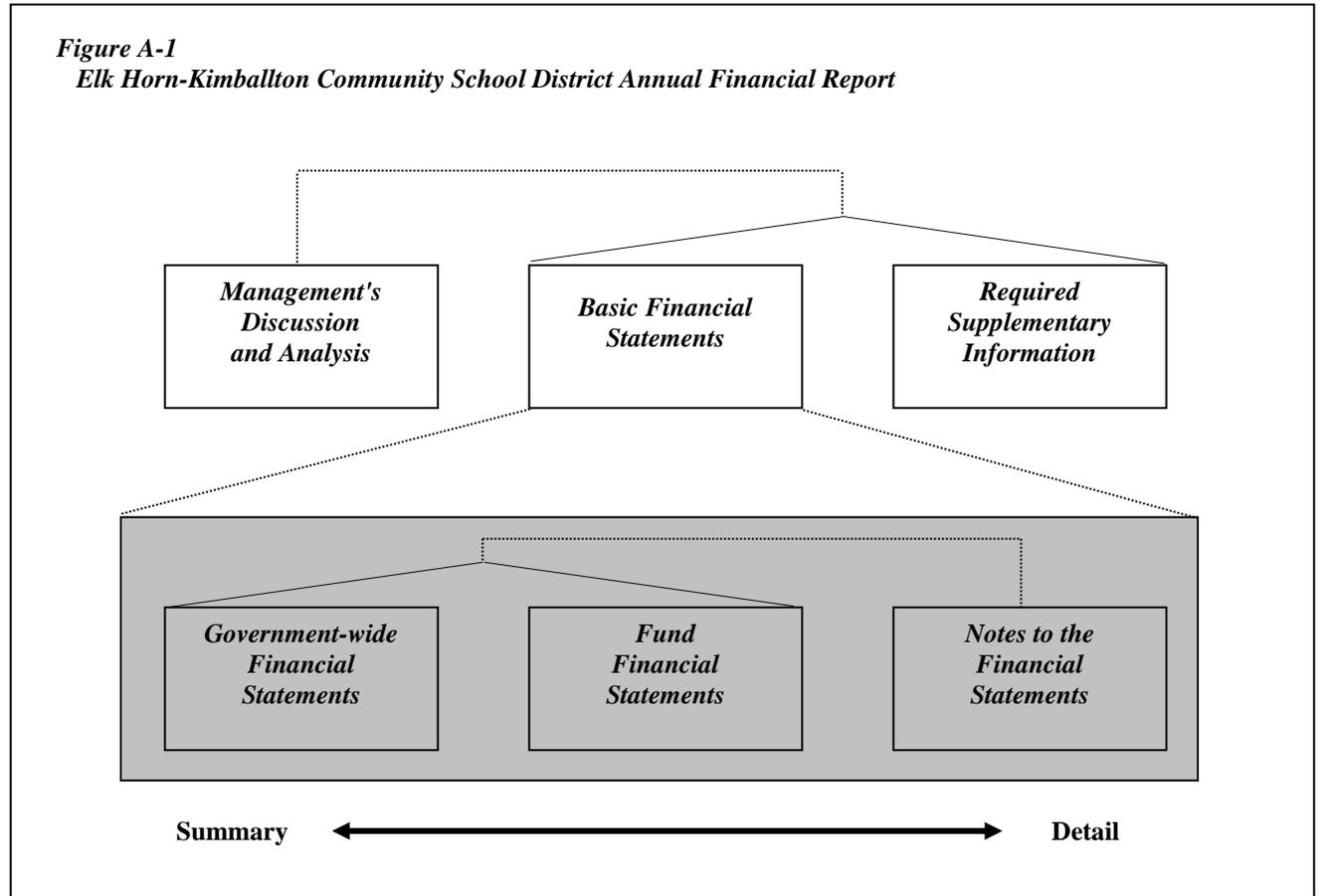


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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 position • 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 position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how they have changed. Net position - 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 position is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 revenues collected for the students to attend a Washington D.C. trip

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 as a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. 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 position at year end June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 2,924,736	2,828,339	23,675	35,023	2,948,411	2,863,362	2.97%
Capital assets	3,229,417	3,338,321	22,246	25,547	3,251,663	3,363,868	-3.34%
Total assets	6,154,153	6,166,660	45,921	60,570	6,200,074	6,227,230	-0.44%
Long-term liabilities	954,214	1,040,892	4,299	3,468	958,513	1,044,360	-8.22%
Other liabilities	1,561,839	1,542,047	13,261	8,899	1,575,100	1,550,946	1.56%
Total liabilities	2,516,053	2,582,939	17,560	12,367	2,533,613	2,595,306	-2.38%
Net position:							
Invested in capital assets, net of related debt	2,489,417	2,508,321	22,246	25,547	2,511,663	2,533,868	-0.88%
Restricted	734,491	724,616	-	-	734,491	724,616	1.36%
Unrestricted	414,192	350,784	6,115	22,656	420,307	373,440	12.55%
Total net position	\$ 3,638,100	3,583,721	28,361	48,203	3,666,461	3,631,924	0.95%

The District's combined net position increased by \$34,537, or 0.95% over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$9,875, or 1.36% over the prior year. The increase was primarily a result of the increase in the Capital Projects Accounts balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$46,867, or 12.55%. This increase in unrestricted net position was primarily a result of the increase in the general fund unassigned fund balance.

Figure A-4 shows the changes in total net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 779,017	793,438	53,764	62,287	832,781	855,725	-2.68%
Operating grants, contributions and restricted interest	178,812	217,782	73,251	65,222	252,063	283,004	-10.93%
Capital grants, contributions and restricted interest	-	-	-	11,652	-	11,652	-100.00%
General revenues:							
Property tax	1,201,258	1,190,082	-	-	1,201,258	1,190,082	0.94%
Income surtax	162,105	146,895	-	-	162,105	146,895	10.35%
Statewide sales, services and use tax	199,734	184,899	-	-	199,734	184,899	8.02%
Unrestricted state grants	1,188,463	1,309,143	-	-	1,188,463	1,309,143	-9.22%
Nonspecific program federal grants	-	49,264	-	-	-	49,264	-100.00%
Unrestricted investment earnings	1,374	1,829	12	36	1,386	1,865	-25.68%
Other	28,124	109,808	48	63	28,172	109,871	-74.36%
Total revenues	3,738,887	4,003,140	127,075	139,260	3,865,962	4,142,400	-6.67%
Program expenses:							
Governmental activities:							
Instructional	2,340,428	2,582,707	-	-	2,340,428	2,582,707	-9.38%
Support services	1,107,180	1,043,053	386	1,753	1,107,566	1,044,806	6.01%
Non-instructional programs	1,665	-	146,531	137,069	148,196	137,069	8.12%
Other expenses	235,235	241,341	-	-	235,235	241,341	-2.53%
Total expenses	3,684,508	3,867,101	146,917	138,822	3,831,425	4,005,923	-4.36%
Change in net position	54,379	136,039	(19,842)	438	34,537	136,477	-74.69%
Net position beginning of year	3,583,721	3,447,682	48,203	47,765	3,631,924	3,495,447	3.90%
Net position end of year	\$ 3,638,100	3,583,721	28,361	48,203	3,666,461	3,631,924	0.95%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 73.59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$3.87 million of which approximately \$3.74 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 6.67% decrease in revenues and a 4.36% decrease in expenses. The decrease in revenues was due to decreased state and federal revenues during fiscal 2013. The decrease in expenses is related to decreases in instruction expenses.

Governmental Activities

Revenues for governmental activities were \$3,738,887 and expenses were \$3,684,508 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,340,428	2,582,707	-9.38%	1,541,599	1,667,020	-7.52%
Support services	1,107,180	1,043,053	6.15%	1,037,743	1,037,414	0.03%
Non-instructional programs	1,665	-	100.00%	1,665	-	100.00%
Other expenses	235,235	241,341	-2.53%	145,672	151,447	-3.81%
Totals	\$ 3,684,508	3,867,101	-4.72%	2,726,679	2,855,881	-4.52%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$779,017.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$178,812.
- The net cost of governmental activities was financed with \$1,201,258 in property tax, \$162,105 in income surtax, \$199,734 in statewide sales, services and use tax, \$1,188,463 in unrestricted state grants, \$1,374 in interest income and \$28,124 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2013 were \$127,075 representing a 8.75% decrease over the prior year, while expenses totaled \$146,917, a 5.83% 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, investment income and capital contributions.

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 \$1,216,497, above last year's ending fund balances of \$1,140,053. The primary reason for the increase in ending fund balances is attributable to the increase in the Capital Projects Accounts balance in fiscal 2013.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. The decrease in revenues was more than the decrease in expenditures, resulting in a decrease in the District's General Fund balance.
- The General Fund balance decreased from \$560,838 to \$529,044 due, in part, to the decrease in state and federal revenue sources compared to the previous year.
- The Capital Projects Accounts balance increased from \$368,760 in fiscal 2012 to \$496,403 in fiscal 2013. This was due to decreased expenditures as compared to the previous year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$48,203 at June 30, 2012 to \$28,361 at June 30, 2013, representing a decrease of 41.16%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$199,871 less than budgeted revenues, a variance of 4.92%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

Total expenditures were more 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 support services expenditures and non-instructional programs functional areas 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, 2013, the District had invested \$3,251,663, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.34% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$147,078.

The original cost of the District's capital assets was \$6,228,341. Governmental funds account for \$6,105,508 with the remainder of \$122,833 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 \$83,647 at June 30, 2013 compared to \$97,032 reported at June 30, 2012. This decrease was related to depreciation expense 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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 75,000	75,000	-	-	75,000	75,000	0.00%
Buildings	2,984,006	3,075,760	-	-	2,984,006	3,075,760	-3.07%
Land improvements	109,010	116,076	-	-	109,010	116,076	-6.48%
Machinery and equipment	61,401	71,485	22,246	25,547	83,647	97,032	-16.00%
Total	\$ 3,229,417	3,338,321	22,246	25,547	3,251,663	3,363,868	-3.34%

Long-Term Debt

At June 30, 2013, the District had \$958,513 in total long-term debt outstanding. This represents a decrease of 8.22% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$740,000 at June 30, 2013.

The District had a computer lease payable in the amount of \$102,580 at June 30, 2013.

The District had termination benefits payable of \$60,000 at June 30, 2013.

The District had a net OPEB liability of \$55,933 at June 30, 2013.

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,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 740,000	830,000	-	-	740,000	830,000	-10.84%
Computer lease	102,580	151,509	-	-	102,580	151,509	-32.29%
Termination benefits	60,000	12,918	-	-	60,000	12,918	364.47%
Net OPEB liability	51,634	46,465	4,299	3,468	55,933	49,933	12.02%
Total	\$ 954,214	1,040,892	4,299	3,468	958,513	1,044,360	-8.22%

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:

- On June 25, 2013, residents of Elk Horn-Kimballton Community School District and Exira Community School District passed a resolution to merge the two Districts. The two districts will be officially consolidated as of July 1, 2014 forming the Exira-Elk Horn-Kimballton Community School District.

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 Marie Larsen, Business Manager, or Tami Jacobsen, District 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 POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,453,736	19,887	1,473,623
Receivables:			
Property tax:			
Delinquent	22,610	-	22,610
Succeeding year	1,206,955	-	1,206,955
Income surtax	150,529	-	150,529
Accounts	3,341	15	3,356
Due from other governments	87,565	-	87,565
Inventories	-	3,773	3,773
Capital assets, net of accumulated depreciation	3,229,417	22,246	3,251,663
Total assets	6,154,153	45,921	6,200,074
Liabilities			
Accounts payable	124,945	-	124,945
Salaries and benefits payable	225,810	11,105	236,915
Interest payable	4,129	-	4,129
Deferred revenue:			
Succeeding year property tax	1,206,955	-	1,206,955
Unearned revenue	-	2,156	2,156
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	95,000	-	95,000
Computer lease payable	50,486	-	50,486
Termination benefits payable	30,000	-	30,000
Portion due after one year:			
General obligation bonds payable	645,000	-	645,000
Computer lease payable	52,094	-	52,094
Termination benefits payable	30,000	-	30,000
Net OPEB liability	51,634	4,299	55,933
Total liabilities	2,516,053	17,560	2,533,613
Net Position			
Invested in capital assets, net of related debt	2,489,417	22,246	2,511,663
Restricted for:			
Categorical funding	111,167	-	111,167
Management levy purposes	46,500	-	46,500
Student activities	49,716	-	49,716
Debt service	30,705	-	30,705
School infrastructure	379,656	-	379,656
Physical plant and equipment	116,747	-	116,747
Unrestricted	414,192	6,115	420,307
Total net position	\$ 3,638,100	28,361	3,666,461

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,608,664	582,574	18,733	(1,007,357)	-	(1,007,357)
Special	276,049	-	12,124	(263,925)	-	(263,925)
Other	455,715	127,006	58,392	(270,317)	-	(270,317)
	<u>2,340,428</u>	<u>709,580</u>	<u>89,249</u>	<u>(1,541,599)</u>	<u>-</u>	<u>(1,541,599)</u>
Support services:						
Student	61,114	-	-	(61,114)	-	(61,114)
Instructional staff	121,542	-	-	(121,542)	-	(121,542)
Administration	446,400	67,871	-	(378,529)	-	(378,529)
Operation and maintenance of plant	330,491	-	-	(330,491)	-	(330,491)
Transportation	147,633	1,566	-	(146,067)	-	(146,067)
	<u>1,107,180</u>	<u>69,437</u>	<u>-</u>	<u>(1,037,743)</u>	<u>-</u>	<u>(1,037,743)</u>
Non-instructional programs:						
Food service operations	1,665	-	-	(1,665)	-	(1,665)
Long-term debt interest	27,389	-	-	(27,389)	-	(27,389)
Other expenditures:						
AEA flowthrough	89,563	-	89,563	-	-	-
Depreciation(unallocated)*	118,283	-	-	(118,283)	-	(118,283)
	<u>207,846</u>	<u>-</u>	<u>89,563</u>	<u>(118,283)</u>	<u>-</u>	<u>(118,283)</u>
Total governmental activities	3,684,508	779,017	178,812	(2,726,679)	-	(2,726,679)
Business type activities:						
Support services:						
Administration	75	-	-	-	(75)	(75)
Operation and maintenance of plant services	311	-	-	-	(311)	(311)
	<u>386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(386)</u>	<u>(386)</u>
Non-instructional programs:						
Food service operations	146,531	53,764	73,251	-	(19,516)	(19,516)
Total business type activities	<u>146,917</u>	<u>53,764</u>	<u>73,251</u>	<u>-</u>	<u>(19,902)</u>	<u>(19,902)</u>
Total	<u>\$ 3,831,425</u>	<u>832,781</u>	<u>252,063</u>	<u>(2,726,679)</u>	<u>(19,902)</u>	<u>(2,746,581)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,074,693	-	1,074,693
Debt services				119,209	-	119,209
Capital outlay				7,356	-	7,356
Income surtax				162,105	-	162,105
Statewide sales, services and use tax				199,734	-	199,734
Unrestricted state grants				1,188,463	-	1,188,463
Unrestricted investment earnings				1,374	12	1,386
Other				28,124	48	28,172
Total general revenues				<u>2,781,058</u>	<u>60</u>	<u>2,781,118</u>
Change in net position				54,379	(19,842)	34,537
Net position beginning of year				3,583,721	48,203	3,631,924
Net position end of year				<u>\$ 3,638,100</u>	<u>28,361</u>	<u>3,666,461</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 830,242	432,161	191,333	1,453,736
Receivables:				
Property tax:				
Delinquent	19,317	136	3,157	22,610
Succeeding year	993,494	33,216	180,245	1,206,955
Income surtax	104,212	46,317	-	150,529
Accounts	2,592	-	749	3,341
Due from other governments	23,459	64,106	-	87,565
Total assets	\$ 1,973,316	575,936	375,484	2,924,736
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 120,756	-	4,189	124,945
Salaries and benefits payable	225,810	-	-	225,810
Deferred revenue:				
Succeeding year property tax	993,494	33,216	180,245	1,206,955
Income surtax	104,212	46,317	-	150,529
Total liabilities	1,444,272	79,533	184,434	1,708,239
Fund balances:				
Restricted for:				
Categorical funding	111,167	-	-	111,167
Management levy purposes	-	-	106,500	106,500
Student activities	-	-	49,716	49,716
Debt service	-	-	34,834	34,834
School infrastructure	-	379,656	-	379,656
Physical plant and equipment	-	116,747	-	116,747
Unassigned	417,877	-	-	417,877
Total fund balances	529,044	496,403	191,050	1,216,497
Total liabilities and fund balances	\$ 1,973,316	575,936	375,484	2,924,736

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	1,216,497
 <i>Amounts reported for governmental activities in the Statement of Net Positon are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,229,417
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.		(4,129)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		150,529
Long-term liabilities, including general obligation bonds payable, computer lease payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(954,214)</u>
Net position of governmental activities(page 18)	\$	<u><u>3,638,100</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,137,053	257,102	169,376	1,563,531
Tuition	577,059	-	-	577,059
Other	125,916	685	109,945	236,546
State sources	1,289,162	-	-	1,289,162
Federal sources	73,023	-	-	73,023
Total revenues	3,202,213	257,787	279,321	3,739,321
Expenditures:				
Current:				
Instruction:				
Regular	1,558,633	-	12,945	1,571,578
Special	270,109	-	-	270,109
Other	337,360	-	111,198	448,558
	2,166,102	-	124,143	2,290,245
Support services:				
Student	62,861	-	-	62,861
Instructional staff	112,840	15,410	-	128,250
Administration	444,802	30	500	445,332
Operation and maintenance of plant	229,704	5,240	50,037	284,981
Transportation	128,135	-	5,701	133,836
	978,342	20,680	56,238	1,055,260
Non-instructional programs:				
Food service operations	-	1,665	-	1,665
Capital outlay	-	59,231	-	59,231
Long-term debt:				
Principal	-	-	138,929	138,929
Interest and fiscal charges	-	-	27,984	27,984
	-	-	166,913	166,913
Other expenditures:				
AEA flowthrough	89,563	-	-	89,563
Total expenditures	3,234,007	81,576	347,294	3,662,877
Excess(Deficiency)of revenues over(under) expenditures	(31,794)	176,211	(67,973)	76,444
Other financing sources(uses):				
Transfer in	-	-	48,568	48,568
Transfer out	-	(48,568)	-	(48,568)
Total other financing sources(uses)	-	(48,568)	48,568	-
Change in fund balances	(31,794)	127,643	(19,405)	76,444
Fund balances beginning of year	560,838	368,760	210,455	1,140,053
Fund balances end of year	\$ 529,044	496,403	191,050	1,216,497

SEE NOTES TO 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, 2013

Change in fund balances - total governmental funds(page 22)	\$	76,444
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, are as follows:</p>		
Capital outlay	\$ 34,873	
Depreciation expense	<u>(143,777)</u>	(108,904)
<p>Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:</p>		
Repaid		138,929
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		595
<p>Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		(434)
<p>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.</p>		
Termination benefits	(47,082)	
Other postemployment benefits	<u>(5,169)</u>	<u>(52,251)</u>
Change in net position of governmental activities(page 19)	\$	<u>54,379</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUND
 JUNE 30, 2013

		School Nutrition
Assets		
Cash and cash equivalents	\$	19,887
Accounts receivable		15
Inventories		3,773
Capital assets, net of accumulated depreciation		22,246
Total assets		45,921
Liabilities		
Salaries and benefits payable		11,105
Unearned revenues		2,156
Net OPEB liability		4,299
Total liabilities		17,560
Net Position		
Invested in capital assets		22,246
Unrestricted		6,115
Total net position	\$	28,361

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 53,764
Miscellaneous	48
Total operating revenues	53,812
Operating expenses:	
Support services:	
Administration:	
Services	75
Operation and maintenance of plant:	
Services	311
	386
Non-instructional programs:	
Food service operations:	
Salaries	48,870
Benefits	26,445
Supplies	67,915
Depreciation	3,301
	146,531
Total operating expenses	146,917
Operating loss	(93,105)
Non-operating revenues:	
Interest income	12
State sources	1,250
Federal sources	72,001
Total non-operating revenues	73,263
Change in net position	(19,842)
Net position beginning of year	48,203
Net position end of year	\$ 28,361

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 54,486
Cash received from miscellaneous operating activities	48
Cash payments to employees for services	(71,245)
Cash payments to suppliers for goods or services	(61,060)
Net cash used in operating activities	(77,771)
Cash flows from non-capital financing activities:	
State grants received	1,250
Federal grants received	64,835
Net cash provided by non-capital financing activities	66,085
Cash flows from investing activities:	
Interest on investments	12
Net decrease in cash and cash equivalents	(11,674)
Cash and cash equivalents at beginning of year	31,561
Cash and cash equivalents at end of year	\$ 19,887
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (93,105)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,166
Depreciation	3,301
Increase in inventories	(311)
Increase in accounts receivable	(15)
Increase in salaries and benefits payable	3,625
Increase in unearned revenue	737
Increase in other postemployment benefits	831
Net cash used in operating activities	\$ (77,771)
Non-cash investing, capital and related financing activities:	

During the year ended June 30, 2013, the District received Federal commodities valued at \$7,166.

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 316,774	29,028
Liabilities		
Due to other groups	-	29,028
Net Position		
Restricted for scholarships	\$ 316,774	-

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,440
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	18,725
Change in net position	(17,285)
Net position beginning of year	334,059
Net position end of year	\$ 316,774

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

(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 Position (previously referred to as net assets) and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 non-major 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 position and changes in net position. 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 Position 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 Position in the Proprietary Funds.

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

Fund Balances - 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 Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013 expenditures in both the support services and non-instructional programs functional areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 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. At June 30, 2013 the District had no investments.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Physical Plant and Equipment Levy	\$ 24,284
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax - Audubon Co.	24,284
Total		\$ 48,568

The transfer from Capital Projects: Physical Plant and Equipment Levy and the Capital Projects: Statewide Sales, Services and Use Tax - Audubon Co. Funds to the Debt Service Fund was needed to make payments on the Apple computer lease.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,000	-	-	75,000
Total capital assets not being depreciated	75,000	-	-	75,000
Capital assets being depreciated:				
Buildings	5,222,850	19,463	-	5,242,313
Land improvements	141,320	-	-	141,320
Machinery and equipment	631,465	15,410	-	646,875
Total capital assets being depreciated	5,995,635	34,873	-	6,030,508
Less accumulated depreciation for:				
Buildings	2,147,090	111,217	-	2,258,307
Land improvements	25,244	7,066	-	32,310
Machinery and equipment	559,980	25,494	-	585,474
Total accumulated depreciation	2,732,314	143,777	-	2,876,091
Total capital assets being depreciated, net	3,263,321	(108,904)	-	3,154,417
Governmental activities capital assets, net	\$ 3,338,321	(108,904)	-	3,229,417
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 122,833	-	-	122,833
Less accumulated depreciation	97,286	3,301	-	100,587
Business-type activities capital assets, net	\$ 25,547	3,301	-	22,246

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 600
Support services:		
Instructional staff		8,202
Administration		2,570
Transportation		14,122
		25,494
Unallocated depreciation		118,283
Total governmental activities depreciation expense		\$ 143,777
Business type activities:		
Food services		\$ 3,301

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 830,000	-	90,000	740,000	95,000
Computer lease	151,509	-	48,929	102,580	50,486
Termination benefits	12,918	60,000	12,918	60,000	30,000
Net OPEB liability	46,465	5,169	-	51,634	-
Total	\$ 1,040,892	65,169	151,847	954,214	175,486

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities: NET OPEB LIABILITY	\$ 3,400	001	-	4,299	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated April 26, 2010				
	Interest		Principal	Interest	Total
Rate					
2014	3.25	% \$	95,000	24,745	119,745
2015	3.25		95,000	21,658	116,658
2016	3.25		100,000	18,570	118,570
2017	3.20		110,000	15,320	125,320
2018	3.20		110,000	11,800	121,800
2019-2020	3.60		230,000	12,420	242,420
Total			\$ 740,000	104,513	844,513

Termination Benefits(Early Retirement)

The District offered a one year 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. The policy requires each employee to receive a \$20,000 cash stipend. One-half of the early retirement stipend will be paid to the employee during December 2013 and one-half during December 2014. Employees may elect to continue participation in the District's group health insurance plan.

Computer Lease

Details of the District's June 30, 2013 computer lease indebtedness, payable from the Capital Projects: Physical Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Computer lease dated July 22, 2011			
	Interest Rate	Principal	Interest	Total
2014	3.14 %	\$ 50,486	2,497	52,984
2015	3.14	52,094	890	52,984
Total		\$ 102,580	3,387	105,967

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$137,607, \$129,677, and \$110,979 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

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

The medical/prescription drug benefits are provided through a fully-insured plan with ISEBA. 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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	21,000
Interest on net OPEB obligation		2,000
Adjustment to annual required contribution		(2,000)
Annual OPEB cost		<u>21,000</u>
Contributions made		(15,000)
Increase in net OPEB obligation		<u>6,000</u>
Net OPEB obligation beginning of year		<u>50,000</u>
Net OPEB obligation end of year	\$	<u><u>56,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$15,000 to the plan. Plan members eligible for benefits contributed \$12,000 or 44.44% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$23,978	25.02%	\$35,978
2012	\$23,955	41.74%	\$49,933
2013	\$21,000	71.43%	\$56,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$198,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$198,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,049,582 and the ratio of the UAAL to covered payroll was 18.86%.

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, 2012 actuarial valuation date, the Alternative Measurement 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 10%. 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 table 1 in GASB 45 paragraph 35(b) and applying the termination factors used in table 1 in GASB 45 paragraph 35(b). The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), 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, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$215,961.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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.

(9) 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 \$89,563 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) 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, 2013, expenditures in both the support services and non-instructional functional areas exceeded the amounts budgeted.

(11) District Consolidation

On June 25, 2013, residents of Elk Horn-Kimballton Community School District and Exira Community School District passed a resolution to merge the two Districts. The two districts will be officially consolidated as of July 1, 2014 forming the Exira-Elk Horn-Kimballton Community School District.

(12) **Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 23,862
Weighted at risk programs	959
Gifted and talented programs	17,571
Dropout prevention programs	16,674
Beginning teacher mentoring	2,898
Teacher salary supplement	2,788
Reading recovery	1,900
Market factor	1,734
Four-year old preschool state aid	12,131
Model core curriculum	894
Professional development for core curriculum	18,674
Teacher development academics	3,322
Professional development	5,539
market factor incentives	2,221
Total	<u>\$ 111,167</u>

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, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 2,377,136	53,824	2,430,960	2,536,505	2,536,505	(105,545)
State sources	1,289,162	1,250	1,290,412	1,361,762	1,361,762	(71,350)
Federal sources	73,023	72,001	145,024	168,000	168,000	(22,976)
Total revenues	3,739,321	127,075	3,866,396	4,066,267	4,066,267	(199,871)
Expenditures/Expenses:						
Instruction	2,290,245	-	2,290,245	2,482,000	2,482,000	191,755
Support services	1,055,260	386	1,055,646	982,500	982,500	(73,146)
Non-instructional programs	1,665	146,531	148,196	135,000	135,000	(13,196)
Other expenditures	315,707	-	315,707	515,851	515,851	200,144
Total expenditures/expenses	3,662,877	146,917	3,809,794	4,115,351	4,115,351	305,557
Excess(Deficiency) of revenues over(under) expenditures/expenses	76,444	(19,842)	56,602	(49,084)	(49,084)	105,686
Other financing sources, net	-	-	-	(800)	(800)	800
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	76,444	(19,842)	56,602	(49,884)	(49,884)	106,486
Balance beginning of year	1,140,053	48,203	1,188,256	1,110,828	1,110,828	77,428
Balance end of year	\$ 1,216,497	28,361	1,244,858	1,060,944	1,060,944	183,914

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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, 2013, expenditures in the support services and non-instructional programs functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 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%
2012	July 1, 2009	-	\$ 173,000	\$ 173,000	0.0%	\$ 1,160,904	14.90%
2013	July 1, 2012	-	\$ 198,000	\$ 198,000	0.0%	\$ 1,049,582	18.86%

See Note 7 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.

SUPPLEMENTARY INFORMATION

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
Assets					
Cash and pooled investments	\$ 105,554	53,156	158,710	32,623	191,333
Receivables:					
Property tax:					
Delinquent	946	-	946	2,211	3,157
Succeeding year	90,000	-	90,000	90,245	180,245
Accounts	-	749	749	-	749
Total assets	<u>\$ 196,500</u>	<u>53,905</u>	<u>250,405</u>	<u>125,079</u>	<u>375,484</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	4,189	4,189	-	4,189
Deferred revenue:					
Succeeding year property tax	90,000	-	90,000	90,245	180,245
Total liabilities	<u>90,000</u>	<u>4,189</u>	<u>94,189</u>	<u>90,245</u>	<u>184,434</u>
Fund balances:					
Restricted for:					
Management levy purposes	106,500	-	106,500	-	106,500
Student activities	-	49,716	49,716	-	49,716
Debt service	-	-	-	34,834	34,834
Total fund balances	<u>106,500</u>	<u>49,716</u>	<u>156,216</u>	<u>34,834</u>	<u>191,050</u>
Total liabilities and fund balances	<u>\$ 196,500</u>	<u>53,905</u>	<u>250,405</u>	<u>125,079</u>	<u>375,484</u>

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, 2013

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 50,167	-	50,167	119,209	169,376
Other	1,890	107,932	109,822	123	109,945
Total revenues	52,057	107,932	159,989	119,332	279,321
Expenditures:					
Current:					
Instruction:					
Regular	12,945	-	12,945	-	12,945
Other	-	111,198	111,198	-	111,198
Support services:					
Administration	-	-	-	500	500
Operation and maintenance of plant	50,037	-	50,037	-	50,037
Transportation	5,701	-	5,701	-	5,701
Long-term debt:					
Principal	-	-	-	138,929	138,929
Interest and fiscal charges	-	-	-	27,984	27,984
Total expenditures	68,683	111,198	179,881	167,413	347,294
Deficiency of revenues under expenditures	(16,626)	(3,266)	(19,892)	(48,081)	(67,973)
Other financing sources:					
Transfer in	-	-	-	48,568	48,568
Change in fund balances	(16,626)	(3,266)	(19,892)	487	(19,405)
Fund balances beginning of year	123,126	52,982	176,108	34,347	210,455
Fund balances end of year	\$ 106,500	49,716	156,216	34,834	191,050

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects				Total
	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	
Assets					
Cash and pooled investments	\$ 180,631	133,535	1,384	116,611	432,161
Receivables:					
Property tax:					
Delinquent	-	-	-	136	136
Succeeding year	-	-	-	33,216	33,216
Income surtax	-	-	-	46,317	46,317
Due from other governments	38,324	25,673	109	-	64,106
Total assets	<u>\$ 218,955</u>	<u>159,208</u>	<u>1,493</u>	<u>196,280</u>	<u>575,936</u>
Liabilities and Fund Balances:					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	-	-	-	33,216	33,216
Income surtax	-	-	-	46,317	46,317
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,533</u>	<u>79,533</u>
Fund balances:					
Restricted for:					
School infrastructure	218,955	159,208	1,493	-	379,656
Physical plant and equipment	-	-	-	116,747	116,747
Total fund balances	<u>218,955</u>	<u>159,208</u>	<u>1,493</u>	<u>116,747</u>	<u>496,403</u>
Total liabilities and fund balances	<u>\$ 218,955</u>	<u>159,208</u>	<u>1,493</u>	<u>196,280</u>	<u>575,936</u>

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, 2013

	Capital Projects				Total
	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	
Revenues:					
Local sources:					
Local tax	\$ 129,154	69,800	780	57,368	257,102
Other	287	228	-	170	685
Total revenues	129,441	70,028	780	57,538	257,787
Expenditures:					
Support services:					
Instructional staff	15,410	-	-	-	15,410
Administration	-	-	-	30	30
Operation and maintenance of plant	-	-	-	5,240	5,240
Non-instructional programs:					
Food service operations	-	-	-	1,665	1,665
Capital outlay	37,890	7,757	-	13,584	59,231
Total expenditures	53,300	7,757	-	20,519	81,576
Excess of revenues over expenditures	76,141	62,271	780	37,019	176,211
Other financing uses:					
Transfer out	-	(24,284)	-	(24,284)	(48,568)
Change in fund balances	76,141	37,987	780	12,735	127,643
Fund balances beginning of year	142,814	121,221	713	104,012	368,760
Fund balances end of year	\$ 218,955	159,208	1,493	116,747	496,403

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfer	Balance End of Year
Speech/drama	\$ 1,891	2,327	2,418	-	1,800
Vocal music	688	435	222	-	901
Instrumental music	145	356	314	-	187
Cross country	-	324	565	241	-
Boys/girls golf	-	595	1,568	973	-
Boys basketball	2,063	6,251	5,818	-	2,496
Football	4,945	17,890	17,387	-	5,448
Baseball	213	3,815	4,028	-	-
Boys track	-	-	785	785	-
Wrestling	-	1,268	1,506	238	-
Girls basketball	2,369	6,646	5,517	-	3,498
Volleyball	250	2,181	2,437	6	-
Softball	-	2,492	2,744	252	-
Girls track	-	326	813	487	-
Athletics	22,119	9,343	7,578	(4,553)	19,331
Freshman class	212	164	164	(212)	-
Sophomore class	994	73	-	(782)	285
Junior class	2,732	7,231	5,451	(1,687)	2,825
Senior class	-	897	2,569	1,672	-
Science club	724	1,982	1,202	-	1,504
Spanish club	-	79	-	-	79
Elementary special education	17	-	-	-	17
M.S. TAG	146	-	146	-	-
Art club	385	-	-	-	385
Drill team	745	2,489	2,840	-	394
Cheerleaders	-	1,079	4,242	3,163	-
FFA	5,653	15,345	15,570	-	5,428
National honor society	514	3,085	2,344	-	1,255
Student council	658	1,336	1,007	-	987
Elementary student council	554	92	-	-	646
Leadership	2,914	158	2,914	-	158
District football	220	-	-	-	220
Miscellaneous	-	2,022	2,015	(7)	-
Vocational education resale	-	1,386	1,335	(51)	-
Book fair	-	100	100	-	-
DC trip account	344	19	-	-	363
Honor Band	50	3,045	3,045	-	50
Annual	1,437	4,304	5,342	1,060	1,459
Athletic concession	-	8,797	7,212	(1,585)	-
Total	\$ 52,982	107,932	111,198	-	49,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
Assets						
Cash and pooled investments	\$ 102,365	8,598	8,165	40	197,606	316,774
Liabilities	-	-	-	-	-	-
Net Position						
Restricted for scholarships	\$ 102,365	8,598	8,165	40	197,606	316,774

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
Additions:						
Local sources:						
Interest income	\$ 154	8	8	-	1,270	1,440
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	375	-	350	-	18,000	18,725
Change in net position	(221)	8	(342)	-	(16,730)	(17,285)
Net position beginning of year	102,586	8,590	8,507	40	214,336	334,059
Net position end of year	\$ 102,365	8,598	8,165	40	197,606	316,774

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, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 18,911	17,804	7,687	29,028
Liabilities				
Due to other groups	\$ 18,911	17,804	7,687	29,028

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 1,563,531	1,513,944	1,438,875	1,383,354	1,260,216	1,168,595	1,175,179	1,086,481	1,072,688	1,075,598
Tuition	577,059	664,131	84,845	114,568	128,262	84,598	109,082	82,357	71,362	64,620
Other	236,546	241,827	312,351	172,975	153,373	175,948	181,170	213,359	172,011	189,199
Intermediate sources	-	-	-	-	-	-	-	-	3,654	3,724
State sources	1,289,162	1,453,593	1,312,360	1,120,214	1,497,301	1,475,803	1,417,074	1,352,854	1,293,271	1,258,812
Federal sources	73,023	121,713	129,811	218,331	113,567	127,791	96,707	97,399	93,308	142,586
Total	\$ 3,739,321	3,995,208	3,278,242	3,009,442	3,152,719	3,032,735	2,979,212	2,832,450	2,706,294	2,734,539
Expenditures:										
Instruction:										
Regular	\$ 1,571,578	1,904,938	1,120,043	1,083,102	1,155,706	1,114,078	1,079,688	956,796	896,033	1,041,208
Special	270,109	232,995	249,261	208,435	227,952	209,656	259,463	162,069	224,310	200,496
Other	448,558	448,534	496,468	476,200	433,875	432,914	360,725	490,688	413,418	316,805
Support services:										
Student	62,861	59,888	60,538	59,303	58,824	50,985	150	41,975	48,006	49,912
Instructional staff	128,250	77,132	128,834	81,468	295,634	144,404	98,958	116,993	128,037	51,224
Administration	445,332	428,368	353,805	290,390	311,956	314,303	326,237	413,472	345,495	320,360
Operation and maintenance of plant	284,981	268,437	273,595	300,099	255,681	280,736	264,301	248,328	243,046	234,692
Transportation	133,836	138,157	146,059	141,754	97,024	162,584	110,929	111,328	165,618	90,764
Other support services	-	-	-	-	-	-	-	-	6,927	21,345
Non-instructional programs:										
Food service operations	1,665	-	-	-	6,895	-	3,962	4,200	6,702	6,156
Capital outlay	59,231	161,652	63,214	97,075	49,726	120,993	62,816	60,005	22,093	42,191
Long-term debt:										
Principal	138,929	190,900	131,796	152,413	173,042	120,000	115,000	110,000	100,000	95,000
Interest and fiscal charges	27,984	37,289	39,634	97,072	86,999	76,641	83,541	90,541	96,141	101,841
Other expenditures:										
AEA flow-through	89,563	89,894	102,284	102,160	96,664	91,069	87,817	85,228	84,404	86,147
Total	\$ 3,662,877	4,038,184	3,165,531	3,089,471	3,249,978	3,118,363	2,853,587	2,891,623	2,780,230	2,658,141

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Elk Horn-Kimballton Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

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

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

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 described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

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

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an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 24, 2014
Newton, Iowa

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will review the control procedures and obtain the maximum internal control possible with our limited number of employees.

Conclusion - Response acknowledged.

I-B-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the Student Activity Fund had instances of purchase orders that were completed after the product had been ordered and purchases were not signed by an administration personnel approving the order.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will verify that all purchase orders are completed and signed by administration before the products are ordered for all funds.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the amount budgeted in the support services and non-instructional programs functions.

We also noted the fiscal year 2013 budget was published after the hearing for the budget.

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.

The budget needs to be published more than ten days, but less than twenty days before the budget hearing to be in compliance with Chapter 24.9 of the Code of Iowa.

Response - The District will keep a closer watch on expenditures throughout the year and especially towards the budget amendment time to be able to make the needed changes in a timely manner. The District will ensure that future budget publications comply with the time frame requirements set by the Iowa Code.

Conclusion - Response accepted.

II-B-13 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-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-13 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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	264,748
Revenues:			
Sales tax revenues	\$	199,734	
Other local revenues		515	200,249
			<u>464,997</u>
Expenditures/transfer out:			
Equipment	\$	25,694	
Other		35,363	
Transfer to another fund:			
Debt service fund		24,284	85,341
			<u>85,341</u>
Ending balance		\$	<u><u>379,656</u></u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under 423E or 423F of the Code of Iowa.