

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

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Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Kevin Petersen	President	2013
Joel Schlueter	Vice President	2015
Tamie Fahn	Board Member	2013
Stacie Larsen	Board Member	2013
John Leader	Board Member	2013
(After September 2013 Election)		
Kevin Petersen	President	2014
Joel Schlueter	Vice President	2014
Tamie Fahn	Board Member	2014
Stacie Larsen	Board Member	2014
John Leader	Board Member	2014
School Officials		
Dean Schnoes	Superintendent	2014
Marie Larson	Business Manager	2014
Tami Jacobsen	District Secretary/Treasurer	2014
Ahlers & Cooney P.C.	Attorney	2014

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, 2014, 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, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

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, 2013 (which are not presented herein) and expressed unmodified 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 6, 2015 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 6, 2015
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,202,213 in fiscal year 2013 to \$3,316,120 in fiscal year 2014, and General Fund expenditures decreased from \$3,234,007 in fiscal year 2013 to \$3,222,271 in fiscal year 2014. The District's General Fund balance increased from \$529,044 at June 30, 2013 to \$622,893 at June 30, 2014.
- The increase in General Fund revenues was attributable to increases in tuition source revenues received in fiscal year 2014 while the decrease in expenditures was due primarily to decreases in support service expenditure incurred compared to the previous year.

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.

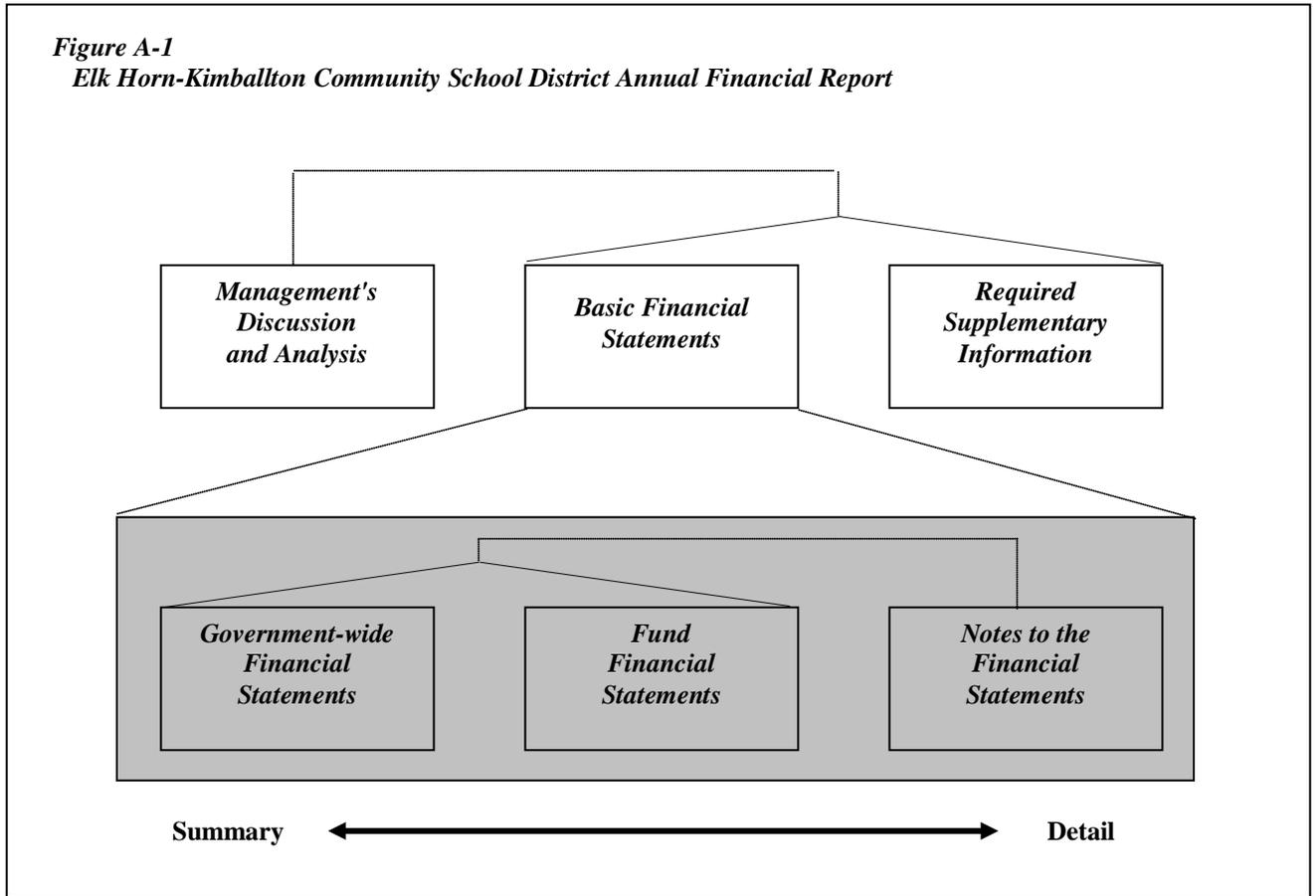


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 is one way to measure the District’s financial health or financial 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 Fund, 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 governmental fund financial statements follow the governmental 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, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 1,545,122	2,924,736	1,271	23,675	1,546,393	2,948,411	-47.55%
Capital assets	3,199,290	3,229,417	23,971	22,246	3,223,261	3,251,663	-0.87%
Total assets	4,744,412	6,154,153	25,242	45,921	4,769,654	6,200,074	-23.07%
Long-term liabilities	846,777	954,214	4,392	4,299	851,169	958,513	-11.20%
Other liabilities	68,185	354,884	2,054	13,261	70,239	368,145	-80.92%
Total liabilities	914,962	1,309,098	6,446	17,560	921,408	1,326,658	-30.55%
Deferred inflows of resources	-	1,206,955	-	-	-	1,206,955	-100.00%
Net position:							
Net investment in capital assets	2,554,290	2,489,417	23,971	22,246	2,578,261	2,511,663	2.65%
Restricted	744,671	734,491	-	-	744,671	734,491	1.39%
Unrestricted	530,489	414,192	(5,175)	6,115	525,314	420,307	24.98%
Total net position	\$ 3,829,450	3,638,100	18,796	28,361	3,848,246	3,666,461	4.96%

The District's combined net position increased by \$181,785, or 4.96% over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net 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 \$10,180, or 1.39% over the prior year. The increase was a result of the increases in the fund balance of the Capital Projects: Physical Plant and Equipment Levy Fund during the year and an increase in balances restricted for categorical funding during the year.

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 \$105,007, or 24.98%. 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, 2014 compared to the year ended June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 896,184	779,017	55,148	53,764	951,332	832,781	14.24%
Operating grants, contributions and restricted interest	181,188	178,812	69,328	73,251	250,516	252,063	-0.61%
General revenues:							
Property tax	1,204,730	1,201,258	-	-	1,204,730	1,201,258	0.29%
Income surtax	190,011	162,105	-	-	190,011	162,105	17.21%
Statewide sales, services and use tax	196,649	199,734	-	-	196,649	199,734	-1.54%
Unrestricted state grants	1,159,345	1,188,463	-	-	1,159,345	1,188,463	-2.45%
Unrestricted investment earnings	1,189	1,374	3	12	1,192	1,386	-14.00%
Other	76,966	28,124	232	48	77,198	28,172	174.02%
Total revenues	3,906,262	3,738,887	124,711	127,075	4,030,973	3,865,962	4.27%
Program expenses:							
Instructional	2,350,419	2,340,428	-	-	2,350,419	2,340,428	0.43%
Support services	1,122,722	1,107,180	-	386	1,122,722	1,107,566	1.37%
Non-instructional programs	-	1,665	138,954	146,531	138,954	148,196	-6.24%
Other expenses	237,093	235,235	-	-	237,093	235,235	0.79%
Total expenses	3,710,234	3,684,508	138,954	146,917	3,849,188	3,831,425	0.46%
Excess(Deficiency) of revenues over(under expenses)	196,028	54,379	(14,243)	(19,842)	181,785	34,537	426.35%
Transfers	(4,678)	-	4,678	-	-	-	0.00%
Change in net position	191,350	54,379	(9,565)	(19,842)	181,785	34,537	426.35%
Net position beginning of year	3,638,100	3,583,721	28,361	48,203	3,666,461	3,631,924	0.95%
Net position end of year	\$ 3,829,450	3,638,100	18,796	28,361	3,848,246	3,666,461	4.96%

In fiscal year 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 70.42% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.81% of the revenue from business type activities.

The District's total revenues were approximately \$4.03 million of which approximately \$3.91 million was for governmental activities and approximately \$0.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.27% increase in revenues and a 0.46% increase in expenses. The increase in revenues was due to increased charges for service revenues received during fiscal year 2014. The increase in expenses is primarily related to an increase in instruction and support service expenditures incurred during the year.

Governmental Activities

Revenues for governmental activities were \$3,906,262 and expenses were \$3,710,234 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,350,419	2,340,428	0.43%	1,458,792	1,541,599	-5.37%
Support services	1,122,722	1,107,180	1.40%	1,028,527	1,037,743	-0.89%
Non-instructional programs	-	1,665	-100.00%	-	1,665	-100.00%
Other expenses	237,093	235,235	0.79%	145,543	145,672	-0.09%
Totals	\$ 3,710,234	3,684,508	0.70%	2,632,862	2,726,679	-3.44%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$896,184.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$181,188.
- The net cost of governmental activities was financed with \$1,204,730 in property tax, \$190,011 in income surtax, \$196,649 in statewide sales, services and use tax, \$1,159,345 in unrestricted state grants, \$1,189 in interest income and \$76,966 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2014 were \$124,711 representing a 1.86% decrease over the prior year, while expenses totaled \$138,954 a 5.42% decrease from 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 other general revenues.

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 \$1,317,965 above last year's ending fund balances of \$1,216,497. The primary reason for the increase in ending fund balances is attributable to increases in fund balances of the Capital Projects: Physical Plant and Equipment Levy Fund and the General Fund during fiscal year 2014.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The increase in revenues was more than the increase in expenditures, resulting in a increase in the District's General Fund balance. The General Fund balance increased from \$529,044 at June 30, 2013 to \$622,893 at June 30, 2014 primarily due to increase in tuition source revenue received in fiscal year 2014.
- The Capital Projects Fund balance increased from \$496,403 at June 30, 2013 to \$506,408 at June 30, 2014. This increase is primarily due to the increase in the fund balance of the Capital Projects: Physical Plant and Equipment Levy Fund during the year due to an increase in local tax revenue received.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$28,361 at June 30, 2013 to \$18,796 at June 30, 2014, representing a decrease of 33.73%. While total revenues increased and total expenditures increased as compared to the prior year expenditure still outpaced revenues leading to an decrease in net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$28,817 more than budgeted revenues, a variance of 0.72%. The most significant variance resulted from the District receiving more in state 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 non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$3,223,261, 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 0.87% from the prior year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$163,562.

The original cost of the District's capital assets was \$6,361,387. Governmental funds account for \$6,235,990 with the remainder of \$125,397 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 \$173,528 reported at June 30, 2014. This increase was related to the purchase of a new chevy suburban and a school bus during the year. These vehicles were capitalized as part of the District's capital asset listing.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 75,000	75,000	-	-	75,000	75,000	0.00%
Buildings	2,872,789	2,984,006	-	-	2,872,789	2,984,006	-3.87%
Land improvements	101,944	109,010	-	-	101,944	109,010	-6.93%
Machinery and equipment	149,557	61,401	23,971	22,246	173,528	83,647	51.80%
Total	\$ 3,199,290	3,229,417	23,971	22,246	3,223,261	3,251,663	-0.87%

Long-Term Debt

At June 30, 2014, the District had \$851,169 in total long-term debt outstanding. This represents a decrease of 11.20% 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 of \$645,000 at June 30, 2014, payable from the Debt Service Fund.

The District had a computer lease in the amount of \$52,094 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax –Audubon Co., and the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had termination benefits of \$96,885 at June 30, 2014, payable from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$57,190 at June 30, 2014. \$52,798 of this total is attributable to the District's governmental activities while the remaining \$4,392 is attributable to the District's business type activities.

Figure A-7							
Outstanding Long-Term Liabilities							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 645,000	740,000	-	-	645,000	740,000	-12.84%
Computer lease	52,094	102,580	-	-	52,094	102,580	-49.22%
Termination benefits	96,885	60,000	-	-	96,885	60,000	61.48%
Net OPEB liability	52,798	51,634	4,392	4,299	57,190	55,933	2.25%
Total	\$ 846,777	954,214	4,392	4,299	851,169	958,513	-11.20%

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 Larson, Business Manager, Exira-EHK 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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,148,233	47	1,148,280
Receivables:			
Property tax:			
Delinquent	23,098	-	23,098
Income surtax	162,618	-	162,618
Accounts	23,381	-	23,381
Due from(to) other funds	4,000	(4,000)	-
Due from other governments	183,792	-	183,792
Inventories	-	5,224	5,224
Capital assets, net of accumulated depreciation	3,199,290	23,971	3,223,261
TOTAL ASSETS	4,744,412	25,242	4,769,654
LIABILITIES			
Accounts payable	64,539	-	64,539
Accrued interest payable	3,646	-	3,646
Unearned revenue	-	2,054	2,054
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	95,000	-	95,000
Computer lease payable	52,094	-	52,094
Termination benefits payable	64,590	-	64,590
Portion due after one year:			
General obligation bonds payable	550,000	-	550,000
Termination benefits payable	32,295	-	32,295
Net OPEB liability	52,798	4,392	57,190
TOTAL LIABILITIES	914,962	6,446	921,408
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment of capital assets	2,554,290	23,971	2,578,261
Restricted for:			
Categorical funding	150,130	-	150,130
Management levy purposes	7,446	-	7,446
Student activities	49,579	-	49,579
Debt service	31,108	-	31,108
School infrastructure	354,463	-	354,463
Physical plant and equipment	151,945	-	151,945
Unrestricted	530,489	(5,175)	525,314
TOTAL NET POSITION	\$ 3,829,450	18,796	3,848,246

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,601,530	561,284	16,380	(1,023,866)	-	(1,023,866)
Special	353,470	138,901	10,890	(203,679)	-	(203,679)
Other	395,419	122,698	41,474	(231,247)	-	(231,247)
	2,350,419	822,883	68,744	(1,458,792)	-	(1,458,792)
Support services:						
Student	58,927	-	-	(58,927)	-	(58,927)
Instructional staff	123,310	-	20,894	(102,416)	-	(102,416)
Administration	426,757	71,119	-	(355,638)	-	(355,638)
Operation and maintenance of plant	344,515	-	-	(344,515)	-	(344,515)
Transportation	169,213	2,182	-	(167,031)	-	(167,031)
	1,122,722	73,301	20,894	(1,028,527)	-	(1,028,527)
Long-term debt interest	27,260	-	-	(27,260)	-	(27,260)
Other expenditures:						
AEA flowthrough	91,550	-	91,550	-	-	-
Depreciation(unallocated)*	118,283	-	-	(118,283)	-	(118,283)
	209,833	-	91,550	(118,283)	-	(118,283)
Total governmental activities	3,710,234	896,184	181,188	(2,632,862)	-	(2,632,862)
Business type activities:						
Non-instructional programs:						
Food service operations	138,954	55,148	69,328	-	(14,478)	(14,478)
Total	\$ 3,849,188	951,332	250,516	(2,632,862)	(14,478)	(2,647,340)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 1,081,486	-	1,081,486
Debt services				90,087	-	90,087
Capital outlay				33,157	-	33,157
Income surtax				190,011	-	190,011
Statewide sales, services and use tax				196,649	-	196,649
Unrestricted state grants				1,159,345	-	1,159,345
Unrestricted investment earnings				1,189	3	1,192
Other				76,966	232	77,198
Transfers				(4,678)	4,678	-
Total general revenues and transfers				2,824,212	4,913	2,829,125
Change in net position				191,350	(9,565)	181,785
Net position beginning of year				3,638,100	28,361	3,666,461
Net position end of year				\$ 3,829,450	18,796	3,848,246

* 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, 2014

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 532,730	430,660	184,843	1,148,233
Receivables:				
Property tax:				
Delinquent	19,053	624	3,421	23,098
Income surtax	112,582	50,036	-	162,618
Accounts	21,841	1,140	400	23,381
Due from other funds	4,000	-	-	4,000
Due from other governments	109,808	73,984	-	183,792
TOTAL ASSETS	\$ 800,014	556,444	188,664	1,545,122
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 64,539	-	-	64,539
Deferred inflows of resources:				
Unavailable revenue:				
Income surtax	112,582	50,036	-	162,618
Fund balances:				
Restricted for:				
Categorical funding	150,130	-	-	150,130
Management levy purposes	-	-	104,331	104,331
Student activities	-	-	49,579	49,579
Debt service	-	-	34,754	34,754
School infrastructure	-	354,463	-	354,463
Physical plant and equipment	-	151,945	-	151,945
Unassigned	472,763	-	-	472,763
Total fund balances	622,893	506,408	188,664	1,317,965
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 800,014	556,444	188,664	1,545,122

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, 2014

Total fund balances of governmental funds (page 20)	\$	1,317,965
<i>Amounts reported for governmental activities in the Statement of Net Position 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.		3,199,290
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.		(3,646)
Accounts receivable income surtax, are not yet available to finance current year expenditures, therefore is recognized as deferred inflows of resources in the governmental funds.		162,618
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>(846,777)</u>
Net position of governmental activities (page 18)	\$	<u><u>3,829,450</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, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,114,827	87,904	179,921	1,382,652
Tuition	703,823	-	-	703,823
Other	162,770	1,874	111,705	276,349
State sources	1,269,465	196,649	-	1,466,114
Federal sources	65,235	-	-	65,235
Total revenues	3,316,120	286,427	291,626	3,894,173
Expenditures:				
Current:				
Instruction:				
Regular	1,542,448	-	32,295	1,574,743
Special	353,342	-	-	353,342
Other	286,247	-	108,432	394,679
	2,182,037	-	140,727	2,322,764
Support services:				
Student	58,927	-	-	58,927
Instructional staff	84,235	30,864	-	115,099
Administration	426,419	150	-	426,569
Operation and maintenance of plant	242,753	3,348	62,217	308,318
Transportation	136,350	118,327	823	255,500
	948,684	152,689	63,040	1,164,413
Capital outlay	-	40,749	-	40,749
Long-term debt:				
Principal	-	-	145,486	145,486
Interest and fiscal charges	-	-	27,743	27,743
	-	-	173,229	173,229
Other expenditures:				
AEA flowthrough	91,550	-	-	91,550
Total expenditures	3,222,271	193,438	376,996	3,792,705
Excess(Deficiency)of revenues over(under) expenditures	93,849	92,989	(85,370)	101,468
Other financing sources(uses):				
Transfer in	-	-	82,984	82,984
Transfer out	-	(82,984)	-	(82,984)
Total other financing sources(uses)	-	(82,984)	82,984	-
Change in fund balances	93,849	10,005	(2,386)	101,468
Fund balances beginning of year	529,044	496,403	191,050	1,216,497
Fund balances end of year	\$ 622,893	506,408	188,664	1,317,965

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, 2014

Change in fund balances - total governmental funds (page 22) \$ 101,468

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

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:

Capital outlay	\$ 130,482	
Depreciation expense	(160,609)	(30,127)

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. 145,486

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. 483

Income surtax account receivable is not available to finance expenditures of the current year period and is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 12,089

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.

Termination benefits	(36,885)	
Other postemployment benefits	(1,164)	(38,049)

Change in net position of governmental activities (page 19) \$ 191,350

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise School Nutrition
ASSETS	
Cash and cash equivalents	\$ 47
Inventories	5,224
Capital assets, net of accumulated depreciation	23,971
TOTAL ASSETS	29,242
LIABILITIES	
Due to other funds	4,000
Unearned revenues	2,054
Net OPEB liability	4,392
TOTAL LIABILITIES	10,446
NET POSITION	
Net investment in capital assets	23,971
Unrestricted	(5,175)
TOTAL NET POSITION	\$ 18,796

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 55,148
Miscellaneous	232
Total operating revenues	55,380
Non-instructional programs:	
Food service operations:	
Salaries	47,103
Benefits	24,411
Supplies	64,487
Depreciation	2,953
Total operating expenses	138,954
Operating loss	(83,574)
Non-operating revenues:	
Interest income	3
State sources	1,188
Federal sources	68,140
Total non-operating revenues	69,331
Change in net position before capital contributions	(14,243)
Capital contributions	4,678
Change in net position	(9,565)
Net position beginning of year	28,361
Net position end of year	\$ 18,796

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 55,061
Cash received from miscellaneous operating activities	232
Cash payments to employees for services	(82,526)
Cash payments to suppliers for goods or services	(58,632)
Net cash used in operating activities	(85,865)
Cash flows from non-capital financing activities:	
Borrowings from the General Fund	4,000
State grants received	1,188
Federal grants received	60,834
Net cash provided by non-capital financing activities	66,022
Cash flows from investing activities:	
Interest on investments	3
Net decrease in cash and cash equivalents	(19,840)
Cash and cash equivalents beginning of year	19,887
Cash and cash equivalents end of year	\$ 47
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (83,574)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,306
Depreciation	2,953
Increase in inventories	(1,451)
Decrease in accounts receivable	15
Decrease in salaries and benefits payable	(11,105)
Decrease in unearned revenue	(102)
Increase in other postemployment benefits	93
Net cash used in operating activities	\$ (85,865)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$7,306.

During the year ended June 30, 2014, the District received capital contributions valued at \$4,678 from the Capital Projects: Statewide Sales, Services and Use Tax Fund - Audubon County.

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Private Purpose Trust	Agency
	Scholarship	
ASSETS		
Cash and pooled investments	\$ 304,961	12,504
LIABILITIES		
Liabilities:		
Due to other groups	-	12,504
NET POSITION		
Restricted for scholarships	\$ 304,961	-

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,135
Interest income	802
Total additions	<u>1,937</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>13,750</u>
Change in net position	(11,813)
Net position beginning of year	<u>316,774</u>
Net position end of year	<u>\$ 304,961</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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, Deferred Inflows of Resources 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 except for non-negotiable certificates of deposit which are stated at cost.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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
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.

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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on 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.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures in the non-instructional programs functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2014 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, 2014 the District had no investments.

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

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 4,000

The School Nutrition Fund is repaying the General Fund for July and August salaries paid out prior to the end of the fiscal year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales, Services and Use Tax - Shelby Co.	
Debt Service		\$ 30,000
	Capital Projects:	
	Statewide Sales, Services and Use Tax - Audubon Co.	
Debt Service		26,492
	Capital Projects:	
	Physical Plant and Equipment Levy	<u>26,492</u>
Total		<u><u>\$ 82,984</u></u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax - Shelby Co, Fund to the Debt Service Fund was needed for debt relief on the District's general obligation bonded indebtedness.

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

5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 740,000	-	95,000	645,000	95,000
Computer lease	102,580	-	50,486	52,094	52,094
Termination benefits	60,000	64,590	27,705	96,885	64,590
Net OPEB liability	51,634	1,164	-	52,798	-
Total	<u><u>\$ 954,214</u></u>	<u><u>65,754</u></u>	<u><u>173,191</u></u>	<u><u>846,777</u></u>	<u><u>211,684</u></u>
Business type activities:					
Net OPEB liability	<u><u>\$ 4,299</u></u>	<u><u>93</u></u>	<u><u>-</u></u>	<u><u>4,392</u></u>	<u><u>-</u></u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond issue dated April 26, 2010				
	Interest Rate		Principal	Interest	Total
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	3.60		115,000	8,280	121,800
2020	3.60		115,000	4,140	242,420
Total		\$	645,000	79,768	846,568

Computer Lease

Details of the District's June 30, 2014 computer lease indebtedness, payable from the Capital Projects: Physical Plant and Equipment Levy Fund and Capital Projects: Statewide Sales, Services and Use Tax –Audubon Co. Fund are as follows:

Year Ending June 30,	Computer lease dated July 22, 2011				
	Interest Rate		Principal	Interest	Total
2015	3.14	% \$	52,094	890	52,984

Termination Benefits

During fiscal years 2013 and 2014, 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 benefit to each retiree is a \$20,000 cash stipend. One-half of this stipend will be paid to the retiree in December 2014 and one-half in December 2015. Employees may elect to continue participation in the District's group health insurance plan at their own expense.

At June 30, 2014, the District had obligations to three 2014 participants and three participants from the fiscal year 2013 offering for a total liability of \$96,885. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$27,705.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2014 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	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
Capital assets being depreciated:				
Buildings	5,242,313	-	-	5,242,313
Land improvements	141,320	-	-	141,320
Machinery and equipment	646,875	130,482	-	777,357
Total capital assets being depreciated	<u>6,030,508</u>	<u>130,482</u>	<u>-</u>	<u>6,160,990</u>
Less accumulated depreciation for:				
Buildings	2,258,307	111,217	-	2,369,524
Land improvements	32,310	7,066	-	39,376
Machinery and equipment	585,474	42,326	-	627,800
Total accumulated depreciation	<u>2,876,091</u>	<u>160,609</u>	<u>-</u>	<u>3,036,700</u>
Total capital assets being depreciated, net	<u>3,154,417</u>	<u>(30,127)</u>	<u>-</u>	<u>3,124,290</u>
Governmental activities capital assets, net	<u>\$ 3,229,417</u>	<u>(30,127)</u>	<u>-</u>	<u>3,199,290</u>
Business type activities:				
Machinery and equipment	\$ 122,833	4,678	2,114	125,397
Less accumulated depreciation	100,587	2,953	2,114	101,426
Business type activities capital assets, net	<u>\$ 22,246</u>	<u>7,631</u>	<u>-</u>	<u>23,971</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,667
Other	600
Support services:	
Instructional staff	8,202
Transportation	<u>30,857</u>
	42,326
Unallocated depreciation	<u>118,283</u>
Total governmental activities depreciation expense	<u>\$ 160,609</u>
Business type activities:	
Food service operations	<u>\$ 2,953</u>

(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 2 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, 2014, 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		2,517
Adjustment to annual required contribution		(2,260)
Annual OPEB cost		<u>21,257</u>
Contributions made		<u>(20,000)</u>
Increase in net OPEB obligation		1,257
Net OPEB obligation beginning of year		<u>55,933</u>
Net OPEB obligation end of year	\$	<u><u>57,190</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, 2014.

For the year ended June 30, 2014, the District contributed \$20,000 to the plan. Plan members eligible for benefits contributed \$17,000 or 45.95% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$23,955	41.74%	\$49,933
2013	\$21,000	71.43%	\$55,933
2014	\$21,257	94.09%	\$57,190

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$1,127,564 and the ratio of the UAAL to covered payroll was 17.56%.

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 for the Retiree Health Plan, 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) 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$152,428, \$137,607, and \$129,677 respectively, equal to the required contributions for each year.

(9) 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, 2014 were \$279,704.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,550 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 35,510
Gifted and talented programs	34,138
Returning dropouts and dropout prevention programs	18,390
Beginning teacher mentoring and induction programs	2,394
Teacher salary supplement	5,697
Market factor	1,734
Health care trust fund	862
Model core curriculum	894
Successful progression for early readers	11,000
Professional development for model core curriculum	17,820
Teacher development academics	3,321
Professional development	10,320
Market factor incentives	2,221
Teacher leadership grants	5,829
Total	<u>\$ 150,130</u>

(12) 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, 2014, expenditures in the non-instructional functional area exceeded the amount budgeted.

(13) Deficit Net Position

The District had a deficit unrestricted net position of \$5,175 in the Enterprise, School Nutrition Fund at June 30, 2014.

(14) Reconciliation of Governmental Fund Balance to Net Position

The following is a detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	104,331	34,754	472,763
Capital assets, net of accumulated depreciation	3,199,290	-	-	-
General obligation bond capitalized indebtedness	(645,000)	-	-	-
Computer lease indebtedness	-	-	-	(52,094)
Termination benefits payable	-	(96,885)	-	-
Accrued interest payable	-	-	(3,646)	-
Income surtax receivable	-	-	-	162,618
Net OPEB liability	-	-	-	(52,798)
Net position (Exhibit A)	<u>\$ 2,554,290</u>	<u>7,446</u>	<u>31,108</u>	<u>530,489</u>

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(16) 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.

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 FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,362,824	55,383	2,418,207	2,587,551	2,587,551	(169,344)
State sources	1,466,114	1,188	1,467,302	1,215,804	1,215,804	251,498
Federal sources	65,235	68,140	133,375	186,712	186,712	(53,337)
Total revenues	<u>3,894,173</u>	<u>124,711</u>	<u>4,018,884</u>	<u>3,990,067</u>	<u>3,990,067</u>	<u>28,817</u>
Expenditures/Expenses:						
Instruction	2,322,764	-	2,322,764	2,378,826	2,378,826	56,062
Support services	1,164,413	-	1,164,413	1,213,715	1,213,715	49,302
Non-instructional programs	-	138,954	138,954	138,716	138,716	(238)
Other expenditures	305,528	-	305,528	399,750	399,750	94,222
Total expenditures/expenses	<u>3,792,705</u>	<u>138,954</u>	<u>3,931,659</u>	<u>4,131,007</u>	<u>4,131,007</u>	<u>199,348</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	101,468	(14,243)	87,225	(140,940)	(140,940)	228,165
Other financing sources, net	-	4,678	4,678	-	-	4,678
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	101,468	(9,565)	91,903	(140,940)	(140,940)	232,843
Balance beginning of year	<u>1,216,497</u>	<u>28,361</u>	<u>1,244,858</u>	<u>1,114,884</u>	<u>1,114,884</u>	<u>129,974</u>
Balance end of year	<u>\$ 1,317,965</u>	<u>18,796</u>	<u>1,336,761</u>	<u>973,944</u>	<u>973,944</u>	<u>362,817</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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, 2014, expenditures in the non-instructional programs functional area exceeded the amount 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%
2014	July 1, 2012	-	198,000	198,000	0.0%	1,127,564	17.56%

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, 2014

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 102,605	49,179	151,784	33,059	184,843
Receivables:					
Property tax:					
Delinquent	1,726	-	1,726	1,695	3,421
Accounts	-	400	400	-	400
TOTAL ASSETS	\$ 104,331	49,579	153,910	34,754	188,664
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:	\$ -	-	-	-	-
Deferred inflows of resources:	-	-	-	-	-
Fund balances:					
Restricted for:					
Management levy purposes	104,331	-	104,331	-	104,331
Student activities	-	49,579	49,579	-	49,579
Debt service	-	-	-	34,754	34,754
Total fund balances	104,331	49,579	153,910	34,754	188,664
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 104,331	49,579	153,910	34,754	188,664

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, 2014

	Special Revenue			Debt Service	Total
	Manage- ment Levy	Student Activity	Total Special Revenue		
Revenues:					
Local sources:					
Local tax	\$ 89,834	-	89,834	90,087	179,921
Other	3,332	108,295	111,627	78	111,705
Total revenues	93,166	108,295	201,461	90,165	291,626
Expenditures:					
Current:					
Instruction:					
Regular	32,295	-	32,295	-	32,295
Other	-	108,432	108,432	-	108,432
Support services:					
Operation and maintenance of plant	62,217	-	62,217	-	62,217
Transportation	823	-	823	-	823
Long-term debt:					
Principal	-	-	-	145,486	145,486
Interest and fiscal charges	-	-	-	27,743	27,743
Total expenditures	95,335	108,432	203,767	173,229	376,996
Deficiency of revenues under expenditures	(2,169)	(137)	(2,306)	(83,064)	(85,370)
Other financing sources:					
Transfer in	-	-	-	82,984	82,984
Change in fund balances	(2,169)	(137)	(2,306)	(80)	(2,386)
Fund balances beginning of year	106,500	49,716	156,216	34,834	191,050
Fund balances end of year	\$ 104,331	49,579	153,910	34,754	188,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	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	\$ 144,563	134,378	1,538	150,181	430,660
Receivables:					
Property tax:					
Delinquent	-	-	-	624	624
Income surtax	-	-	-	50,036	50,036
Accounts	-	-	-	1,140	1,140
Due from other governments	46,425	27,559	-	-	73,984
TOTAL ASSETS	\$ 190,988	161,937	1,538	201,981	556,444
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities	\$ -	-	-	-	-
Deferred inflows of resources:					
Unavailable revenues:					
Income surtax	-	-	-	50,036	50,036
Fund balances:					
Restricted for:					
School infrastructure	190,988	161,937	1,538	-	354,463
Physical plant and equipment	-	-	-	151,945	151,945
Total fund balances	190,988	161,937	1,538	151,945	506,408
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 190,988	161,937	1,538	201,981	556,444

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, 2014

	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	\$ -	-	-	87,904	87,904
Other	294	238	-	1,342	1,874
State sources	127,868	68,736	45	-	196,649
Total revenues	<u>128,162</u>	<u>68,974</u>	<u>45</u>	<u>89,246</u>	<u>286,427</u>
Expenditures:					
Support services:					
Instructional staff	4,953	24,042	-	1,869	30,864
Administration	-	-	-	150	150
Operation and maintenance of plant	-	-	-	3,348	3,348
Transportation	97,187	-	-	21,140	118,327
Non-instructional programs:					
Capital outlay	23,989	15,711	-	1,049	40,749
Total expenditures	<u>126,129</u>	<u>39,753</u>	<u>-</u>	<u>27,556</u>	<u>193,438</u>
Excess of revenues over expenditures	2,033	29,221	45	61,690	92,989
Other financing uses:					
Transfer out	(30,000)	(26,492)	-	(26,492)	(82,984)
Change in fund balances	(27,967)	2,729	45	35,198	10,005
Fund balances beginning of year	218,955	159,208	1,493	116,747	496,403
Fund balances end of year	<u>\$ 190,988</u>	<u>161,937</u>	<u>1,538</u>	<u>151,945</u>	<u>506,408</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Speech/drama	\$ 1,800	-	172	-	1,628
Vocal music	901	-	573	-	328
Instrumental music	187	100	22	-	265
Cross country	-	1,236	1,605	369	-
Cheerleaders	-	1,670	1,538	-	132
Drill team	394	313	133	-	574
Boys basketball	2,496	4,973	4,036	-	3,433
Football	5,448	14,037	15,059	-	4,426
Baseball	-	4,436	5,211	775	-
Wrestling	-	2,129	2,340	211	-
Girls basketball	3,498	5,025	3,967	-	4,556
Volleyball	-	5,176	5,425	249	-
Science club	1,504	493	1,147	-	850
Elementary special education	17	-	-	-	17
Art club	385	1,064	91	-	1,358
FFA	5,428	17,539	18,878	-	4,089
FBLA	-	280	160	-	120
National honor society	1,255	2,614	2,513	-	1,356
Student council	987	1,148	964	-	1,171
Elementary student council	646	149	-	(273)	522
HS leadership	158	695	280	-	573
District football	220	-	-	-	220
DC trip account	363	10	363	-	10
Band	50	150	-	-	200
Annual	1,459	7,232	9,043	352	-
Athletic concession	-	9,721	7,793	(1,928)	-
Leadership	-	8,006	186	-	7,820
Boys/girls golf	-	430	1,295	865	-
Boys track	-	790	1,225	435	-
Softball	-	2,442	6,531	4,089	-
Girls track	-	-	1,316	1,316	-
Miscellaneous	-	3,247	3,247	-	-
Athletics	19,331	7,662	5,837	(6,382)	14,774
Freshman class	-	872	642	-	230
Sophomore class	285	206	-	(285)	206
Junior class	2,825	4,380	4,023	(2,540)	642
Senior class	-	70	2,817	2,747	-
Spanish club	79	-	-	-	79
Total	\$ 49,716	108,295	108,432	-	49,579

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 SCHOLARSHIP ACCOUNTS
 PRIVATE PURPOSE TRUST FUND
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund					
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Total
ASSETS						
Cash and pooled investments	\$ 103,506	8,432	7,998	40	184,985	304,961
LIABILITIES	-	-	-	-	-	-
NET POSITION						
Restricted for scholarships	\$ 103,506	8,432	7,998	40	184,985	304,961

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 SCHOLARSHIP ACCOUNTS
 PRIVATE PURPOSE TRUST FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund					Total
	Hansen Scholarship	Jensen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	
Additions:						
Local sources:						
Gifts and contributions	\$ 1,135	-	-	-	-	1,135
Interest income	156	9	8	-	629	802
Total additions	1,291	9	8	-	629	1,937
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	150	175	175	-	13,250	13,750
Change in net position	1,141	(166)	(167)	-	(12,621)	(11,813)
Net position beginning of year	102,365	8,598	8,165	40	197,606	316,774
Net position end of year	\$ 103,506	8,432	7,998	40	184,985	304,961

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, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 29,028	25,701	42,225	12,504
Liabilities				
Due to other groups	\$ 29,028	25,701	42,225	12,504

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,382,652	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
Tuition	703,823	577,059	664,131	84,845	114,568	128,262	84,598	109,082	82,357	71,362
Other	276,349	236,546	241,827	312,351	172,975	153,373	175,948	181,170	213,359	172,011
Intermediate sources	-	-	-	-	-	-	-	-	-	3,654
State sources	1,466,114	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
Federal sources	65,235	73,023	121,713	129,811	218,331	113,567	127,791	96,707	97,399	93,308
Total	\$ 3,894,173	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
Expenditures:										
Instruction:										
Regular	\$ 1,574,743	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
Special	353,342	270,109	232,995	249,261	208,435	227,952	209,656	259,463	162,069	224,310
Other	394,679	448,558	448,534	496,468	476,200	433,875	432,914	360,725	490,688	413,418
Support services:										
Student	58,927	62,861	59,888	60,538	59,303	58,824	50,985	150	41,975	48,006
Instructional staff	115,099	128,250	77,132	128,834	81,468	295,634	144,404	98,958	116,993	128,037
Administration	426,569	445,332	428,368	353,805	290,390	311,956	314,303	326,237	413,472	345,495
Operation and maintenance of plant	308,318	284,981	268,437	273,595	300,099	255,681	280,736	264,301	248,328	243,046
Transportation	255,500	133,836	138,157	146,059	141,754	97,024	162,584	110,929	111,328	165,618
Other support services	-	-	-	-	-	-	-	-	-	6,927
Non-instructional programs:										
Food service operations	-	1,665	-	-	-	6,895	-	3,962	4,200	6,702
Capital outlay	40,749	59,231	161,652	63,214	97,075	49,726	120,993	62,816	60,005	22,093
Long-term debt:										
Principal	145,486	138,929	190,900	131,796	152,413	173,042	120,000	115,000	110,000	100,000
Interest and fiscal charges	27,743	27,984	37,289	39,634	97,072	86,999	76,641	83,541	90,541	96,141
Other expenditures:										
AEA flow-through	91,550	89,563	89,894	102,284	102,160	96,664	91,069	87,817	85,228	84,404
Total	\$ 3,792,705	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2015.

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 a material weakness and a significant deficiency.

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-14 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-14 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 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, 2014 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 6, 2015
Newton, Iowa

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-14 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 office employees.

Conclusion - Response accepted.

I-B-14 Timesheets - We noted during our audit that timesheets for non-certified staff were not always approved by the appropriate administrator verifying the number of hours worked before payment. Currently the District business manager makes a check mark on the timesheets when they are paid.

Recommendation - The District should review policies and procedures regarding payroll to ensure that timesheets are being verified for accuracy by the appropriate administrator to ensure all amounts paid are for hours actually worked by the employee.

Response - All timesheets will be reviewed by the Superintendent or building principal prior to payroll processing.

Conclusion - Response accepted.

ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the amount budgeted in the non-instructional programs functional area.
- Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - The District will keep a closer watch on expenditures throughout the year and especially around the budget adjustment time to be able to make the needed changes in a timely manner.
- Conclusion - Response accepted.
- II-B-14 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-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely, however, we noted a deficiency in the amounts reported. The District's Certified Annual Report did not include amounts or balances recorded in the Capital Projects: Statewide Sales, Services and Use Tax Fund – Cass Co.
- Recommendation - The District should ensure that the funds and amounts certified on the Certified Annual Report to the Department of Education are a complete and accurate listing of all funds included in the District's financial statements.

Response - The District will verify that all accounts and funds are reported accurately in the future for the Certified Annual Report to reflect actual financial statements.

Conclusion - Response accepted.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-14 Financial Condition - The District had a deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$5,175 at June 30, 2014.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficits net position, and bring it back to a positive balance.

Response - The District is closely monitoring this fund and will continue to do so along with implementing a cost/savings analysis to prevent this from future occurrence.

Conclusion - Response accepted.

II-M-14 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, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance		\$	379,656
Revenues:			
Sales tax revenues	\$	196,649	
Other local revenues		532	197,181
			<u>576,837</u>
Expenditures/transfer out:			
School infrastructure construction	\$	39,700	
Equipment		126,182	
Transfer to another fund:			
Debt service fund		56,492	222,374
			<u>222,374</u>
Ending balance		\$	<u><u>354,463</u></u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under 423E or 423F of the Code of Iowa:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.36035	\$ 30,000