

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Exira-Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kevin Petersen	President	2017
Terri Haris	Vice President	2015
Tamie Fahn	Board Member	2017
Joel Schlueter	Board Member	2015
Tom Benton	Board Member	2017
Lisa Burmeister	Board Member	2015
Ryan Wilson	Board Member	2015
School Officials		
Dean Schnoes	Superintendent	2015
Marie Larson	District Treasurer/ Business Manager	2015
Tami Jacobsen	District Secretary	2015
Ahlers & Cooney P.C.	Attorney	2015

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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
Exira-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 Exira-Elk Horn-Kimballton Community School District, Elk Horn, Iowa, as of and for the year ended June 30, 2015, 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 Exira-Elk Horn-Kimballton Community School District as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Exira-Elk Horn-Kimballton Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 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 Exira-Elk Horn-Kimballton Community School District's basic 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 January 22, 2016 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 Exira-Elk Horn-Kimballton Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 22, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Exira-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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

As of July 1, 2014, Exira Community School District and Elk Horn-Kimballton Community School District merged to form Exira-Elk Horn-Kimballton Community School District; therefore, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$4,971,405 during fiscal year 2015, while General Fund expenditures were \$4,733,586. Revenues outpaced expenditures causing the District's General Fund balance to increase from a restated balance of \$1,833,152 at July 1, 2014 to \$2,070,971 at June 30, 2015, a 12.97% increase.
- The District's solvency ratio (unassigned fund balance / General Fund revenues minus AEA flowthrough) was 34.61% at June 30, 2015.

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 Exira-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 Exira-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 Exira-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, the District's proportionate share of the net pension liability and related contributions, 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-1
Exira-Elk Horn-Kimballton Community School District Annual Financial Report*

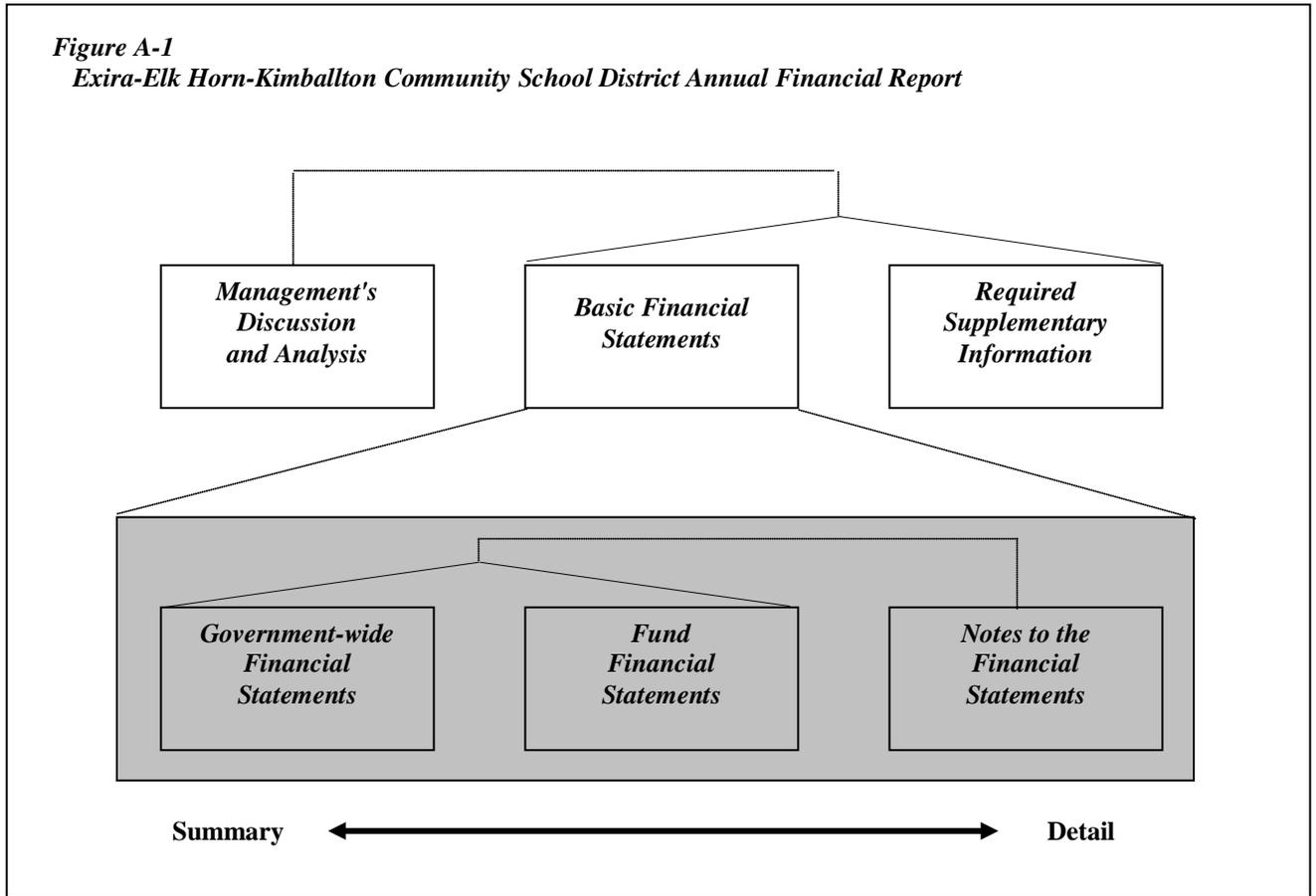


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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 it has 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 June 30, 2015.

	Figure A-3 Condensed Statement of Net Position		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
Current and other assets	\$ 6,807,536	60,512	6,868,048
Capital assets	4,987,219	43,797	5,031,016
Total assets	<u>11,794,755</u>	<u>104,309</u>	<u>11,899,064</u>
Deferred outflows of resources	<u>397,398</u>	<u>12,253</u>	<u>409,651</u>
Long-term liabilities	3,180,960	53,866	3,234,826
Other liabilities	526,544	17,802	544,346
Total liabilities	<u>3,707,504</u>	<u>71,668</u>	<u>3,779,172</u>
Deferred inflows of resources	<u>2,951,624</u>	<u>20,543</u>	<u>2,972,167</u>
Net position:			
Net investment in capital assets	3,556,597	43,797	3,600,394
Restricted	2,076,784	-	2,076,784
Unrestricted	(100,356)	(19,446)	(119,802)
Total net position	<u>\$ 5,533,025</u>	<u>24,351</u>	<u>5,557,376</u>

The District's total net position at June 30, 2015 was \$5,557,376. 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 was \$2,076,784.

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 - was deficit \$119,802 at June 30, 2015. The deficit unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities after the combination, were restated by \$2,016,990 and \$63,238, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in total net position for the year ended June 30, 2015.

	Figure A-4		
	Changes in Net Position		
	Governmental Activities 2015	Business Type Activities 2015	Total District 2015
Revenues:			
Program revenues:			
Charges for service	\$ 274,707	102,831	377,538
Operating grants, contributions and restricted interest	455,518	121,636	577,154
General revenues:			
Property tax	2,461,409	-	2,461,409
Income surtax	206,641	-	206,641
Statewide sales, services and use tax	412,477	-	412,477
Unrestricted state grants	2,511,241	-	2,511,241
Unrestricted investment earnings	7,313	65	7,378
Other	64,601	477	65,078
Total revenues	<u>6,393,907</u>	<u>225,009</u>	<u>6,618,916</u>
Program expenses:			
Instructional	3,347,180	-	3,347,180
Support services	1,707,715	2,756	1,710,471
Non-instructional programs	-	229,107	229,107
Other expenses	458,250	-	458,250
Total expenses	<u>5,513,145</u>	<u>231,863</u>	<u>5,745,008</u>
Change in net position	880,762	(6,854)	873,908
Net position beginning of year, as restated	<u>4,652,263</u>	<u>31,205</u>	<u>4,683,468</u>
Net position end of year	<u>\$ 5,533,025</u>	<u>24,351</u>	<u>5,557,376</u>

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 87.45% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for 99.76% of the revenue from business type activities.

The District's total revenues were approximately \$6.62 million, of which approximately \$6.39 million was for governmental activities and approximately \$0.23 million was for business type activities.

Governmental Activities

Revenues for governmental activities were \$6,393,907 and expenses were \$5,513,145 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2015.

Figure A-5			
Total and Net Cost of Governmental Activities			
	Total Cost of Services	Net Cost of Services	
	2015	2015	
Instruction	\$ 3,347,180	2,805,823	
Support services	1,707,715	1,705,775	
Other expenses	458,250	271,322	
Totals	<u>\$ 5,513,145</u>	<u>4,782,920</u>	

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$274,707.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$455,518.
- The net cost of governmental activities was financed with \$2,461,409 in property tax, \$206,641 in income surtax, \$412,477 in statewide sales, services and use tax, \$2,511,241 in unrestricted state grants, \$7,313 in interest income and \$64,401 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2015 were \$225,009 while expenses were \$231,863. 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 Exira-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 balances of \$3,792,049.

Governmental Fund Highlights

- The General Fund balance increased from a restated balance of \$1,833,152 at July 1, 2014 to \$2,070,971 at June 30, 2015.
- The Capital Projects Fund balance increased from a restated balance of \$1,055,412 at July 1, 2014 to \$1,186,211 at June 30, 2015.
- The Debt Service Fund balance decreased from a restated balance of \$249,822 at July 1, 2014 to \$249,532 at June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a restated net position of \$31,205 at July 1, 2014 to \$24,351 at June 30, 2015, representing a decrease of 21.96%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$402,720 more than budgeted revenues, a variance of 6.42%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,031,016, 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) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$306,587

The original cost of the District's capital assets was \$10,245,454. Governmental funds accounted for \$10,063,027 with the remainder of \$182,427 accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
Land	\$ 93,293	-	93,293
Buildings	4,458,893	-	4,458,893
Land improvements	132,125	-	132,125
Machinery and equipment	302,908	43,797	346,705
Total	<u>\$ 4,987,219</u>	<u>43,797</u>	<u>5,031,016</u>

Long-Term Debt

At June 30, 2015, the District had \$3,234,826 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonded indebtedness of \$210,000 at June 30, 2015 payable from the Debt Service Fund.

The District had outstanding revenue bonded indebtedness of \$1,160,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding bus lease indebtedness of \$60,622 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had termination benefits payable of \$32,295 at June 30, 2015, payable from the Special Revenue, Management Levy Fund.

The District had a total net pension liability of \$1,771,909 at June 30, 2015. \$1,718,043 of this total was attributable to the District's governmental activities while the remaining \$53,866 was attributable to the District's business type activities.

	Governmental Activities	Business Type Activities	Total District
	June 30, 2015	June 30, 2015	June 30, 2015
General obligation bonds	\$ 210,000	-	210,000
Revenue bonds	1,160,000	-	1,160,000
Bus lease	60,622	-	60,622
Termination benefits	32,295	-	32,295
Net pension liability	1,718,043	53,866	1,771,909
Total	<u>\$ 3,180,960</u>	<u>53,866</u>	<u>3,234,826</u>

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:

- The October 2015 certified enrollment was down by 10 students but the number of students in our buildings remained the same. This will have an impact on the amount of state funding we receive in future years.
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The potential impact of state reductions to education is an unknown that we must be ready to address and compensate.
- The District will be paying off the debt service levy in May 2017 which will have an impact on future budgets & property tax rates.
- With the retirement of the current Superintendent in FY16, the District will be looking at hiring a Superintendent/High School Principal which will have an impact on the school's budget, future negotiations & the recommendations being made to the school board.

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

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,140,274	54,607	4,194,881
Receivables:			
Property tax:			
Delinquent	41,560	-	41,560
Succeeding year	2,296,412	-	2,296,412
Income surtax	217,868	-	217,868
Accounts	6,690	-	6,690
Due from other governments	102,799	-	102,799
Inventories	-	5,838	5,838
Net OPEB asset	1,933	67	2,000
Capital assets, net of accumulated depreciation	4,987,219	43,797	5,031,016
Total assets	11,794,755	104,309	11,899,064
Deferred Outflows of Resources			
Pension related deferred outflows	397,398	12,253	409,651
Liabilities			
Accounts payable	97,020	-	97,020
Salaries and benefits payable	400,457	15,175	415,632
Advances from grantors	1,797	-	1,797
Accrued interest payable	27,270	-	27,270
Unearned revenue	-	2,627	2,627
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	100,000	-	100,000
Revenue bonds payable	70,000	-	70,000
Bus lease payable	11,036	-	11,036
Termination benefits payable	32,295	-	32,295
Portion due after one year:			
General obligation bonds payable	110,000	-	110,000
Revenue bonds payable	1,090,000	-	1,090,000
Bus lease payable	49,586	-	49,586
Net pension liability	1,718,043	53,866	1,771,909
Total liabilities	3,707,504	71,668	3,779,172
Deferred Inflows of Resources			
Unavailable property tax revenue	2,296,412	-	2,296,412
Pension related deferred inflows	655,212	20,543	675,755
Total deferred inflows of resources	2,951,624	20,543	2,972,167
Net Position			
Net investment in capital assets	3,556,597	43,797	3,600,394
Restricted for:			
Categorical funding	415,271	-	415,271
Management levy purposes	198,707	-	198,707
Student activities	54,333	-	54,333
Debt service	222,262	-	222,262
School infrastructure	727,462	-	727,462
Physical plant and equipment	458,749	-	458,749
Unrestricted	(100,356)	(19,446)	(119,802)
Total net position	\$ 5,533,025	24,351	5,557,376

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,252,763	117,656	31,809	(2,103,298)	-	(2,103,298)
Special	489,753	10,916	74,819	(404,018)	-	(404,018)
Other	604,664	144,679	161,478	(298,507)	-	(298,507)
	<u>3,347,180</u>	<u>273,251</u>	<u>268,106</u>	<u>(2,805,823)</u>	<u>-</u>	<u>(2,805,823)</u>
Support services:						
Student	56,621	-	291	(56,330)	-	(56,330)
Instructional staff	251,808	-	-	(251,808)	-	(251,808)
Administration	511,510	-	-	(511,510)	-	(511,510)
Operation and maintenance of plant	569,759	-	-	(569,759)	-	(569,759)
Transportation	318,017	1,456	193	(316,368)	-	(316,368)
	<u>1,707,715</u>	<u>1,456</u>	<u>484</u>	<u>(1,705,775)</u>	<u>-</u>	<u>(1,705,775)</u>
Long-term debt interest	71,397	-	-	(71,397)	-	(71,397)
Other expenditures:						
AEA flowthrough	186,928	-	186,928	-	-	-
Depreciation(unallocated)*	199,925	-	-	(199,925)	-	(199,925)
	<u>386,853</u>	<u>-</u>	<u>186,928</u>	<u>(199,925)</u>	<u>-</u>	<u>(199,925)</u>
Total governmental activities	<u>5,513,145</u>	<u>274,707</u>	<u>455,518</u>	<u>(4,782,920)</u>	<u>-</u>	<u>(4,782,920)</u>
Business type activities:						
Support services:						
Administration	235	-	-	-	(235)	(235)
Operation and maintenance of plant	2,521	-	-	-	(2,521)	(2,521)
	<u>2,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,756)</u>	<u>(2,756)</u>
Non-instructional programs:						
Food service operations	229,107	102,831	121,636	-	(4,640)	(4,640)
Total business type activities	<u>231,863</u>	<u>102,831</u>	<u>121,636</u>	<u>-</u>	<u>(7,396)</u>	<u>(7,396)</u>
Total	<u>\$ 5,745,008</u>	<u>377,538</u>	<u>577,154</u>	<u>(4,782,920)</u>	<u>(7,396)</u>	<u>(4,790,316)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,812,636	-	1,812,636
Debt services				458,306	-	458,306
Capital outlay				190,467	-	190,467
Income surtax				206,641	-	206,641
Statewide sales, services and use tax				412,477	-	412,477
Unrestricted state grants				2,511,241	-	2,511,241
Unrestricted investment earnings				7,313	65	7,378
Other				64,601	477	65,078
Total general revenues				<u>5,663,682</u>	<u>542</u>	<u>5,664,224</u>
Change in net position				880,762	(6,854)	873,908
Net position beginning of year, as restated				<u>4,652,263</u>	<u>31,205</u>	<u>4,683,468</u>
Net position end of year				<u>\$ 5,533,025</u>	<u>24,351</u>	<u>5,557,376</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,494,446	1,120,886	241,802	283,140	4,140,274
Receivables:					
Property tax:					
Delinquent	26,981	3,213	7,730	3,636	41,560
Succeeding year	1,689,016	263,327	119,069	225,000	2,296,412
Income surtax	217,868	-	-	-	217,868
Accounts	6,690	-	-	-	6,690
Due from other governments	38,622	64,177	-	-	102,799
Total assets	\$ 4,473,623	1,451,603	368,601	511,776	6,805,603
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 93,514	2,065	-	1,441	97,020
Salaries and benefits payable	400,457	-	-	-	400,457
Advances from grantors	1,797	-	-	-	1,797
Total liabilities	495,768	2,065	-	1,441	499,274
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	1,689,016	263,327	119,069	225,000	2,296,412
Income surtax	217,868	-	-	-	217,868
Total deferred inflows of resources	1,906,884	263,327	119,069	225,000	2,514,280
Fund balances:					
Restricted for:					
Categorical funding	415,271	-	-	-	415,271
Management levy purposes	-	-	-	231,002	231,002
Student activities	-	-	-	54,333	54,333
Debt service	-	-	249,532	-	249,532
School infrastructure	-	727,462	-	-	727,462
Physical plant and equipment	-	458,749	-	-	458,749
Unassigned	1,655,700	-	-	-	1,655,700
Total fund balances	2,070,971	1,186,211	249,532	285,335	3,792,049
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,473,623	1,451,603	368,601	511,776	6,805,603

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances of governmental funds (page 20)		\$ 3,792,049
 <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 the governmental funds.		4,987,219
Accounts receivable income surtax are not available to finance current year expenditures and, therefore, is reported as deferred inflows of resources in the governmental funds.		217,868
Other post-employment benefits are not available to finance expenditures of the current fiscal period.		1,933
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(27,270)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 397,398	
Deferred inflows of resources	<u>(655,212)</u>	(257,814)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, bus lease payable, termination benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,180,960)</u>
Net position of governmental activities (page 18)		<u><u>\$ 5,533,025</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,814,820	238,946	458,306	215,287	2,727,359
Tuition	125,116	-	-	-	125,116
Other	69,429	21,632	1,762	135,296	228,119
State sources	2,765,863	412,477	-	-	3,178,340
Federal sources	194,282	-	-	-	194,282
Total revenues	<u>4,969,510</u>	<u>673,055</u>	<u>460,068</u>	<u>350,583</u>	<u>6,453,216</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,230,959	-	-	64,590	2,295,549
Special	495,525	-	-	-	495,525
Other	473,361	-	-	139,489	612,850
	<u>3,199,845</u>	<u>-</u>	<u>-</u>	<u>204,079</u>	<u>3,403,924</u>
Support services:					
Student	63,466	-	-	-	63,466
Instructional staff	122,103	117,047	-	-	239,150
Administration	534,629	1,030	2,750	-	538,409
Operation and maintenance of plant	398,583	58,142	-	92,842	549,567
Transportation	228,032	104,124	-	18,675	350,831
	<u>1,346,813</u>	<u>280,343</u>	<u>2,750</u>	<u>111,517</u>	<u>1,741,423</u>
Capital outlay	-	79,423	-	-	79,423
Long-term debt:					
Principal	-	-	567,873	-	567,873
Interest and fiscal charges	-	-	72,225	-	72,225
	<u>-</u>	<u>-</u>	<u>640,098</u>	<u>-</u>	<u>640,098</u>
Other expenditures:					
AEA flowthrough	186,928	-	-	-	186,928
Total expenditures	<u>4,733,586</u>	<u>359,766</u>	<u>642,848</u>	<u>315,596</u>	<u>6,051,796</u>
Excess(Deficiency) of revenues over(under) expenditures	235,924	313,289	(182,780)	34,987	401,420
Other financing sources(uses):					
Transfer in	-	-	182,490	-	182,490
Transfer out	-	(182,490)	-	-	(182,490)
Proceeds from disposal of equipment	1,895	-	-	-	1,895
Total other financing sources(uses)	<u>1,895</u>	<u>(182,490)</u>	<u>182,490</u>	<u>-</u>	<u>1,895</u>
Change in fund balances	237,819	130,799	(290)	34,987	403,315
Fund balances beginning of year, as restated	<u>1,833,152</u>	<u>1,055,412</u>	<u>249,822</u>	<u>250,348</u>	<u>3,388,734</u>
Fund balances end of year	<u>\$ 2,070,971</u>	<u>1,186,211</u>	<u>249,532</u>	<u>285,335</u>	<u>3,792,049</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-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, 2015

Change in fund balances - total governmental funds (page 22) \$ 403,315

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of assets in the current year are as follows:

Capital outlay	\$ 162,310	
Depreciation expense	(300,512)	
Loss on disposal	(1,399)	(139,601)

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. 567,873

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. 828

Income surtax accounts receivable are not available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds. (59,309)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 194,947

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds, as follows:

Termination benefits	64,590	
Pension expense	(153,814)	
Other postemployment benefits	1,933	(87,291)

Change in net position of governmental activities (page 19) \$ 880,762

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 54,607
Inventories	5,838
	60,445
Noncurrent assets:	
Net OPEB asset	67
Capital assets, net of accumulated depreciation	43,797
	43,864
Total assets	104,309
 Deferred Outflows of Resources	
Pension related deferred outflows	12,253
 Liabilities	
Current liabilities:	
Salaries and benefits payable	15,175
Unearned revenues	2,627
	17,802
Noncurrent liabilities:	
Net pension liability	53,866
Total liabilities	71,668
 Deferred Inflows of Resources	
Pension related deferred inflows	20,543
 Net Position	
Net investment in capital assets	43,797
Unrestricted	(19,446)
Total net position	\$ 24,351

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 102,831
Miscellaneous	477
Total operating revenues	103,308
Operating expenses:	
Support services:	
Administration:	
Services	235
Operation and maintenance of plant:	
Services	2,521
	2,756
Non-instructional programs:	
Food service operations:	
Salaries	79,888
Benefits	28,250
Services	157
Supplies	114,581
Depreciation	6,075
	228,951
Total operating expenses	231,707
Operating loss	(128,399)
Non-operating revenues(expenses):	
Loss on disposal of asset	(156)
Interest income	65
State sources	2,083
Federal sources	119,553
Total non-operating revenues(expenses)	121,545
Change in net position	(6,854)
Net position beginning of year, as restated	31,205
Net position end of year	\$ 24,351

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,819
Cash received from miscellaneous operating activities	477
Cash payments to employees for services	(94,112)
Cash payments to suppliers for goods or services	(102,718)
Net cash used in operating activities	(94,534)
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(4,000)
State grants received	2,083
Federal grants received	105,973
Net cash provided by non-capital financing activities	104,056
Cash flows from investing activities:	
Interest on investments	65
Net increase in cash and pooled investments	9,587
Cash and pooled investments beginning of year	45,020
Cash and pooled investments end of year	\$ 54,607
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (128,399)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	13,580
Depreciation	6,075
Decrease in inventories	1,202
Decrease in accounts payable	(6)
Increase in salaries and benefits payable	15,175
Decrease in unearned revenue	(1,012)
Decrease in net pension liability	(17,309)
Increase in deferred outflows of resources	(4,316)
Increase in deferred inflows of resources	20,543
Decrease in other postemployment benefits	(67)
Net cash used in operating activities	\$ (94,534)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,580 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 669,721	23,413
Liabilities		
Due to other groups	-	23,413
Net Position		
Held in trust for scholarships	\$ 669,721	-

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 250
Interest income	1,527
Total additions	1,777
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	18,294
Change in net position	(16,517)
Net position beginning of year, as restated	686,238
Net position end of year	\$ 669,721

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(1) **Summary of Significant Accounting Policies**

The Exira-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 Exira, Elk Horn and Kimballton, Iowa, and the predominate agricultural territory in Audubon, Cass, Guthrie 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, Exira-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 Exira-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 Audubon, Cass, Guthrie and Shelby County Assessors' Conference Boards.

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

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 inflows of resources 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015 expenditures in the other expenditures functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015 the District had no investments.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 94,493	-	1,200	93,293
Total capital assets not being depreciated	<u>94,493</u>	<u>-</u>	<u>1,200</u>	<u>93,293</u>
Capital assets being depreciated:				
Buildings	8,135,627	49,926	-	8,185,553
Land improvements	183,313	10,010	-	193,323
Machinery and equipment	1,543,774	102,374	55,290	1,590,858
Total capital assets being depreciated	<u>9,862,714</u>	<u>162,310</u>	<u>55,290</u>	<u>9,969,734</u>
Less accumulated depreciation for:				
Buildings	3,536,401	190,259	-	3,726,660
Land improvements	51,532	9,666	-	61,198
Machinery and equipment	1,242,454	100,587	55,091	1,287,950
Total accumulated depreciation	<u>4,830,387</u>	<u>300,512</u>	<u>55,091</u>	<u>5,075,808</u>
Total capital assets being depreciated, net	<u>5,032,327</u>	<u>(138,202)</u>	<u>199</u>	<u>4,893,926</u>
Governmental activities capital assets, net	<u>\$ 5,126,820</u>	<u>(138,202)</u>	<u>1,399</u>	<u>4,987,219</u>
Business type activities:				
Machinery and equipment	\$ 193,010	-	10,583	182,427
Less accumulated depreciation	142,982	6,075	10,427	138,630
Business type activities capital assets, net	<u>\$ 50,028</u>	<u>6,075</u>	<u>156</u>	<u>43,797</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 14,070
Other	900
Support services:	
Instructional staff	8,202
Operation and maintenance of plant	3,097
Transportation	74,318
	<u>100,587</u>
Unallocated depreciation	199,925
Total governmental activities depreciation expense	<u>\$ 300,512</u>
Business type activities:	
Food service operations	<u>\$ 6,075</u>

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 645,000	-	435,000	210,000	100,000
Revenue bonds	1,230,000	-	70,000	1,160,000	70,000
Bus lease	71,401	-	10,779	60,622	11,036
Computer lease	52,094	-	52,094	-	-
Termination benefits	96,885	-	64,590	32,295	32,295
Net pension liability	2,270,128	-	552,085	1,718,043	-
Total	<u>\$ 4,365,508</u>	<u>-</u>	<u>1,184,548</u>	<u>3,180,960</u>	<u>213,331</u>
Business type activities:					
Net pension liability	\$ 71,175	-	17,309	53,866	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated April 26, 2010			
	Interest Rate	Principal	Interest	Total
2016	3.25%	\$ 100,000	18,570	118,570
2017	3.20	110,000	15,320	125,320
Total		<u>\$ 210,000</u>	<u>33,890</u>	<u>243,890</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated September 30, 2009			
	Interest Rate	Principal	Interest	Total
2016	3.250%	\$ 70,000	45,696	115,696
2017	3.250	70,000	43,421	113,421
2018	3.250	70,000	41,146	111,146
2019	3.625	70,000	38,740	108,740
2020	3.625	70,000	36,202	106,202
2021-2025	4.000-4.300	360,000	139,157	499,157
2026-2030	4.300-4.625	450,000	58,126	508,126
Total		<u>\$ 1,160,000</u>	<u>402,488</u>	<u>1,562,488</u>

The District has pledged future statewide sales, services and use tax revenues to repay \$1,450,000 of bonds dated September 30, 2009. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and

interest payments on the bonds are expected to require approximately 28 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,562,488. For the current year, \$70,000 in principal and \$47,971 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$412,477.

The resolution providing for the issuance of the statewide sales and services tax revenue bonds includes the following provisions:

- a) \$119,109 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bus Lease

Details of the District’s December 20, 2013 bus lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Bus lease dated July 22, 2011			
	Interest Rate	Principal	Interest	Total
2016	2.39%	\$ 11,036	1,449	12,485
2017	2.39	49,586	1,185	50,771
Total		\$ 60,622	2,634	63,256

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 were required to be at least age fifty-five and have completed fifteen years of continuous service to the District. Employees were required to complete an application which was subject to approval by the Board of Education. The benefit to each retiree was a \$20,000 cash stipend. Employees may elect to continue participation in the District’s group health insurance plan at their own expense.

At June 30, 2015, the District had obligations to three participants for a total liability of \$32,295. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$64,590.

5) Bond Defeasement

On April 7, 2015, as part of the District’s budgeting process, the District’s Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds issued April 26, 2010. The District levied an additional \$1.78752 per \$1,000 of taxable valuation for fiscal year 2015. The additional property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which will be used to pay \$340,000 in principal when the bonds become callable on May 1, 2017. As a result, \$340,000 of the 2010 Series bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds. At June 30, 2015, \$340,000 of such bonds are outstanding. The economic savings from this bond refunding is \$24,220.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 155,998
Debt Service	Capital Projects: Physical Plant and Equipment Levy	26,492
Total		<u>\$ 182,490</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s bus lease, computer lease and revenue bonded indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed to make principal and interest payments on the District’s computer lease.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member’s highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member’s monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member’s earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member’s lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$200,852.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,771,909 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.043782 percent, which was an increase of 0.002431 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$158,637. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,257	\$ -
Changes of assumptions	78,199	-
Net difference between projected and actual earnings on pension plan investments	-	675,755
Changes in proportion and differences between District contributions and proportionate share of contributions	111,343	-
District contributions subsequent to the measurement date	200,852	-
Total	<u>\$ 409,651</u>	<u>\$ 675,755</u>

\$200,852 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (120,154)
2017	(120,154)
2018	(120,154)
2019	(120,154)
2020	13,660
	<u>\$ (466,956)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,347,972	\$ 1,771,909	\$ 441,549

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$28,142 for legally required employer contributions and \$18,751 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) 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 73 active and 8 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 59,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>59,000</u>
Contributions made	<u>(61,000)</u>
Increase in net OPEB obligation	(2,000)
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ (2,000)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. 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, 2015.

For the year ended June 30, 2015, the District contributed \$61,000 to the plan. Plan members eligible for benefits contributed \$60,000 or 49.59% 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
2015	\$ 59,000	103.39%	\$ (2,000)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$507,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$507,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,750,293 and the ratio of the UAAL to covered payroll was 29.0%.

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, will present 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, 2014 actuarial valuation date, the Alternative Measurement Method was used. The actuarial assumptions include a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 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.

(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, 2015 were \$428,148.

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.

Exira-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 \$186,928 for the year ended June 30, 2015 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 restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 134,364
Gifted and talented programs	21,234
Returning dropouts and dropout prevention programs	116,339
Beginning teacher mentoring and induction programs	3,476
Teacher salary supplement	20,611
Market factor	1,734
Beginning administrator mentoring and induction program	1,500
Reading recovery	437
Model core curriculum	894
Successful progression for early readers	32,379
Professional development for model core curriculum	36,161
Teacher development academics	3,321
Professional development	31,163
Teacher leadership grants	11,658
Total	<u>\$ 415,271</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, 2015, expenditures in the other expenditures functional area exceeded the amounts budgeted.

(13) Deficit Net Position

The District had deficit unrestricted net position of \$100,356 in the Governmental Activities and deficit unrestricted net position of \$19,446 in the Enterprise, School Nutrition Fund at June 30, 2015.

(14) Reconciliation of Governmental Fund Balance to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	231,002	249,532	1,655,700
Capital assets, net of accumulated depreciation	4,987,219	-	-	-
General obligation bond capitalized indebtedness	(210,000)	-	-	-
Revenue bond capitalized indebtedness	(1,160,000)	-	-	-
Bus lease indebtedness	(60,622)	-	-	-
Termination benefits payable	-	(32,295)	-	-
Accrued interest payable	-	-	(27,270)	-
Income surtax receivable	-	-	-	217,868
Pension related deferred outflows	-	-	-	397,398
Pension related deferred inflows	-	-	-	(655,212)
Net pension liability	-	-	-	(1,718,043)
Net OPEB asset	-	-	-	1,933
Net position (Exhibit A)	<u>\$ 3,556,597</u>	<u>198,707</u>	<u>222,262</u>	<u>(100,356)</u>

(15) Restatements for Accounting Change and District Consolidation

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities			Business Type Activities		
	Elk Horn- Kimballton	Exira	Total	Elk Horn- Kimballton	Exira	Total
Net position June 30, 2014, as previously reported	\$ 3,829,450	2,640,257	6,469,707	\$ 18,796	71,255	90,051
Net pension liability at June 30, 2014	(1,347,213)	(922,915)	(2,270,128)	(42,239)	(28,936)	(71,175)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	147,119	106,019	253,138	4,613	3,324	7,937
Net position July 1, 2014, as restated	<u>\$ 2,629,356</u>	<u>1,823,361</u>	<u>4,452,717</u>	<u>\$ (18,830)</u>	<u>45,643</u>	<u>26,813</u>

Exira-Elk Horn-Kimballton Community School District is a new entity; therefore, the District opens with a net OPEB liability balance of \$0. The June 30, 2014 net OPEB liabilities for Elk Horn-Kimballton Community School District and Exira Community School District have been removed from the restated long-term liabilities of Exira-Elk Horn-Kimballton Community School District as follows:

	Governmental Activities			Business Type Activities		
	Elk Horn-Kimballton	Exira	Total	Elk Horn-Kimballton	Exira	Total
Net OPEB liability at June 30, 2014	\$ (52,798)	(146,748)	(199,546)	\$ (4,392)	-	(4,392)

Effective July 1, 2014, the Elk Horn-Kimballton Community School District and the Exira Community School District merged to form Exira-Elk Horn-Kimballton Community School District. The ending fund balances for each District at June 30, 2014 have been combined to establish the restated July 1, 2014 beginning balances for Exira-Elk Horn-Kimballton Community School District as follows:

	Elk Horn-Kimballton June 30, 2014	Exira June 30, 2014	Restated Balance Exira-Elk Horn-Kimballton CSD July 1, 2014
Governmental Funds:			
General Fund	\$ 622,893	1,210,259	1,833,152
Student Activity Fund	49,579	15,084	64,663
Management Levy Fund	104,331	81,354	185,685
Capital Projects: Statewide Sales, Services and Use Tax Fund	354,463	318,154	672,617
Capital Projects: Physical Plant and Equipment Levy Fund	151,945	230,850	382,795
Debt Service	34,754	215,068	249,822
Total governmental funds	\$ 1,317,965	2,070,769	3,388,734
Fiduciary Funds:			
Private Purpose Trust Fund	\$ 304,961	381,277	686,238
Agency Fund	\$ 12,504	-	12,504
<i>Combination of Governmental Activities:</i>			
Fund Balance	\$ 1,317,965	2,070,769	3,388,734
Income surtax receivable	162,618	114,559	277,177
Capital assets, net of accumulated depreciation	3,199,290	1,927,530	5,126,820
Accrued interest payable	(3,646)	(24,452)	(28,098)
Long-term liabilities	(846,777)	(1,448,149)	(2,294,926)
Net position at June 30, 2014	3,829,450	2,640,257	6,469,707
GASB 68 Restatement Adjustment	(1,200,094)	(816,896)	(2,016,990)
	2,629,356	1,823,361	4,452,717
Net OPEB Liability Restatement Adjustment	52,798	146,748	199,546
	\$ 2,682,154	1,970,109	4,652,263
<i>Combination of Business Type Activities:</i>			
Same as Enterprise: School Nutrition Fund	\$ 18,796	71,255	90,051
GASB 68 restatement adjustment	(37,626)	(25,612)	(63,238)
	(18,830)	45,643	26,813
Net OPEB Liability Restatement Adjustment	4,392	-	4,392
	\$ (14,438)	45,643	31,205

REQUIRED SUPPLEMENTARY INFORMATION

EXIRA-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, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,080,594	103,373	3,183,967	2,837,780	2,837,780	346,187
State sources	3,178,340	2,083	3,180,423	3,174,725	3,174,725	5,698
Federal sources	194,282	119,553	313,835	263,000	263,000	50,835
Total revenues	<u>6,453,216</u>	<u>225,009</u>	<u>6,678,225</u>	<u>6,275,505</u>	<u>6,275,505</u>	<u>402,720</u>
Expenditures/Expenses:						
Instruction	3,403,924	-	3,403,924	3,845,000	3,845,000	441,076
Support services	1,741,423	2,756	1,744,179	1,875,000	1,875,000	130,821
Non-instructional programs	-	229,107	229,107	241,500	241,500	12,393
Other expenditures	906,449	-	906,449	828,465	828,465	(77,984)
Total expenditures/expenses	<u>6,051,796</u>	<u>231,863</u>	<u>6,283,659</u>	<u>6,789,965</u>	<u>6,789,965</u>	<u>506,306</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	401,420	(6,854)	394,566	(514,460)	(514,460)	909,026
Other financing sources, net	1,895	-	1,895	(130,819)	(130,819)	132,714
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	403,315	(6,854)	396,461	(645,279)	(645,279)	1,041,740
Balances beginning of year, as restated	<u>3,388,734</u>	<u>31,205</u>	<u>3,419,939</u>	<u>2,950,068</u>	<u>2,950,068</u>	<u>469,871</u>
Balances end of year	<u>\$ 3,792,049</u>	<u>24,351</u>	<u>3,816,400</u>	<u>2,304,789</u>	<u>2,304,789</u>	<u>1,511,611</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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, 2015, expenditures in the other expenditures functional area exceeded the amount budgeted.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.043782%
District's proportionate share of the net pension liability	\$ 1,771,909
District's covered-employee payroll	\$ 2,249,176
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.78%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*

REQUIRED SUPPLEMENTARY INFORMATION

		<u>2015</u>
Statutorily required contribution	\$	200,852
Contributions in relation to the statutorily required contribution		<u>(200,852)</u>
Contribution deficiency (excess)	\$	<u><u>-</u></u>
District's covered-employee payroll	\$	2,249,176
Contributions as a percentage of covered-employee payroll		8.93%

* District was a new entity as of July 1, 2014.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

EXIRA-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)
2015	July 1, 2014	-	\$ 507,000	507,000	0.0%	\$ 1,750,293	29.0%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Extra-Elk Horn-Kimballton Community School District

SUPPLEMENTARY INFORMATION

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 227,366	55,774	283,140
Receivables:			
Property tax:			
Delinquent	3,636	-	3,636
Succeeding year	225,000	-	225,000
Total assets	\$ 456,002	55,774	511,776
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	1,441	1,441
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	225,000	-	225,000
Fund balances:			
Restricted for:			
Management levy purposes	231,002	-	231,002
Student activities	-	54,333	54,333
Total fund balances	231,002	54,333	285,335
Total liabilities, deferred inflows of resources and fund balances	\$ 456,002	55,774	511,776

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 215,287	-	215,287
Other	6,137	129,159	135,296
Total revenues	221,424	129,159	350,583
Expenditures:			
Current:			
Instruction:			
Regular	64,590	-	64,590
Other	-	139,489	139,489
Support services:			
Operation and maintenance of plant	92,842	-	92,842
Transportation	18,675	-	18,675
Total expenditures	176,107	139,489	315,596
Change in fund balances	45,317	(10,330)	34,987
Fund balances beginning of year, as restated	185,685	64,663	250,348
Fund balances end of year	\$ 231,002	54,333	285,335

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 664,601	456,285	1,120,886
Receivables:			
Property tax:			
Delinquent	-	3,213	3,213
Succeeding year	-	263,327	263,327
Due from other governments	64,177	-	64,177
Total assets	\$ 728,778	722,825	1,451,603
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 1,316	749	2,065
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	263,327	263,327
Fund balances:			
Restricted for:			
School infrastructure	727,462	-	727,462
Physical plant and equipment	-	458,749	458,749
Total fund balances	727,462	458,749	1,186,211
Total liabilities, deferred inflows of resources and fund balances	\$ 728,778	722,825	1,451,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	238,946	238,946
Other	1,273	20,359	21,632
State sources	412,477	-	412,477
Total revenues	<u>413,750</u>	<u>259,305</u>	<u>673,055</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	66,301	50,746	117,047
Administration	1,000	30	1,030
Operation and maintenance of plant	-	58,142	58,142
Transportation	102,374	1,750	104,124
Capital outlay	33,232	46,191	79,423
Total expenditures	<u>202,907</u>	<u>156,859</u>	<u>359,766</u>
Excess of revenues over expenditures	210,843	102,446	313,289
Other financing uses:			
Transfer out	(155,998)	(26,492)	(182,490)
Change in fund balances	54,845	75,954	130,799
Fund balances beginning of year, as restated	<u>672,617</u>	<u>382,795</u>	<u>1,055,412</u>
Fund balances end of year	<u>\$ 727,462</u>	<u>458,749</u>	<u>1,186,211</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year, as restated	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Speech/drama	\$ 1,628	-	50	-	1,578
Vocal music	328	-	84	-	244
Instrumental music	265	-	53	-	212
Cross country	-	518	708	190	-
Golf	-	434	1,094	660	-
Cheerleaders	132	238	229	-	141
Drill team	574	415	411	-	578
Boys basketball	3,433	4,574	3,915	-	4,092
Football	4,426	11,374	27,116	11,316	-
Baseball	-	3,111	4,251	1,140	-
Wrestling	-	220	3,940	3,720	-
Girls basketball	4,556	7,321	7,377	-	4,500
Volleyball	-	4,113	4,110	-	3
Softball	-	2,166	2,812	646	-
Girls track	-	1,839	5,189	3,350	-
Athletics	29,561	27,474	18,114	(13,793)	25,128
Interest	(56)	-	-	56	-
Spanish club	79	-	-	-	79
8th grade	-	532	-	-	532
Freshman class	230	641	606	(230)	35
Sophomore class	206	262	-	24	492
Junior class	642	8,331	6,639	(436)	1,898
Senior class	-	1,121	1,654	533	-
Science club	850	1,883	2,479	-	254
Elementary special education	17	-	-	-	17
MS TAG	146	-	-	-	146
Art club	1,358	29	29	-	1,358
FFA	4,089	21,830	21,081	-	4,838
FBLA	120	1,565	1,346	-	339
National honor society	1,356	203	868	-	691
Student council	1,378	1,160	1,217	-	1,321
Elementary student council	522	123	-	-	645
Leadership	7,820	2,487	3,352	(4,138)	2,817
HS leadership	573	-	130	-	443
District football	220	-	-	-	220
DC trip account	10	70	-	-	80
Band	200	5,646	5,546	-	300
Annual	-	6,495	5,252	109	1,352
Athletic concession	-	12,984	9,837	(3,147)	-
Total	\$ 64,663	129,159	139,489	-	54,333

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund								
	Jensen Scholarship	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Exira Hansen Scholarship	Exira Sorensen Scholarship	Kommis Scholarship	Total
Assets									
Cash and pooled investments	\$ 7,439	104,081	7,656	290	176,353	255,857	117,159	886	669,721
Liabilities									
	-	-	-	-	-	-	-	-	-
Net Position									
Held in trust for scholarships	\$ 7,439	104,081	7,656	290	176,353	255,857	117,159	886	669,721

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund								
	Jensen Scholarship	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Exira	Exira	Kommis Scholarship	Total
						Hansen Scholarship	Sorensen Scholarship		
Additions:									
Local sources:									
Gifts and contributions	\$ -	-	-	250	-	-	-	-	250
Interest income	7	729	8	-	368	236	178	1	1,527
Total additions	<u>7</u>	<u>729</u>	<u>8</u>	<u>250</u>	<u>368</u>	<u>236</u>	<u>178</u>	<u>1</u>	<u>1,777</u>
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	<u>1,000</u>	<u>154</u>	<u>350</u>	<u>-</u>	<u>9,000</u>	<u>5,290</u>	<u>2,000</u>	<u>500</u>	<u>18,294</u>
Change in net position	(993)	575	(342)	250	(8,632)	(5,054)	(1,822)	(499)	(16,517)
Net position beginning of year, as restated	<u>8,432</u>	<u>103,506</u>	<u>7,998</u>	<u>40</u>	<u>184,985</u>	<u>260,911</u>	<u>118,981</u>	<u>1,385</u>	<u>686,238</u>
Net position end of year	<u>\$ 7,439</u>	<u>104,081</u>	<u>7,656</u>	<u>290</u>	<u>176,353</u>	<u>255,857</u>	<u>117,159</u>	<u>886</u>	<u>669,721</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 12,504	20,268	9,359	23,413
Liabilities				
Due to other groups	\$ 12,504	20,268	9,359	23,413

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

	Modified Accrual Basis
	Year Ended June 30,
	2015
Revenues:	
Local sources:	
Local tax	\$ 2,727,359
Tuition	125,116
Other	228,119
State sources	3,178,340
Federal sources	194,282
Total	\$ 6,453,216
Expenditures:	
Instruction:	
Regular	\$ 2,295,549
Special	495,525
Other	612,850
Support services:	
Student	63,466
Instructional staff	239,150
Administration	538,409
Operation and maintenance of plant	549,567
Transportation	350,831
Capital outlay	79,423
Long-term debt:	
Principal	567,873
Interest and fiscal charges	72,225
Other expenditures:	
AEA flow-through	186,928
Total	\$ 6,051,796

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
Exira-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 Exira-Elk Horn-Kimballton Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Exira-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 Exira-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 a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Exira-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, 2015 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.

Exira-Elk Horn-Kimballton Community School District's Responses to Findings

Exira-Elk Horn-Kimballton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Exira-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 Exira-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.

January 22, 2016
Newton, Iowa

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-15 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 one or more 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 personnel.

Conclusion - Response accepted.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the amounts budgeted in the other expenditures 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 towards the budget adjustment timeframe to be able to make the needed changes in a timely manner.

Conclusion - Response accepted.

II-B-15 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-15 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-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Benton, Board Member	Asst. Football Coach	\$ 2,268

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the minutes did not list the approved District depositories and their respective limits. Chapter 12C.2 of the Code of Iowa states "The approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository."

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with Chapter 12C.2 of the Code of Iowa.

Response - The District will ensure that going forward the depositories & their respective limits are included in the Board Minutes.

Conclusion - Response accepted.

- II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students certified to the state was understated by 1.00 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-15 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. The supplementary weighting certified to the state was overstated by 0.158.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-I-15 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-15 Certified Annual Report - The Certified Annual Report was certified timely with the Iowa Department of Education.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- II-L-15 Financial Condition - The School Nutrition Fund had deficit unrestricted net position of \$19,446 at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$100,356 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.
- Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.
- Response - The District will inform the School Board & Administration about the changes that took effect with the implementation of GASB Statements No. 68 & 71 on the District's financials to ensure a better understanding of the deficit unrestricted net positions.
- Conclusion - Response accepted.

II-M-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 revenue. 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	672,617
Revenues:			
Sales tax revenues	\$	412,477	
Other local revenues		<u>1,273</u>	<u>413,750</u>
			1,086,367
Expenditures/transfer out:			
Equipment	\$	168,675	
Other		34,232	
Transfer to another fund:			
Debt service fund		<u>155,998</u>	<u>358,905</u>
Ending balance			<u><u>\$ 727,462</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa: