

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
Capital Projects Fund Accounts:		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
Fiduciary Funds:		
Combining Schedule of Fiduciary Net Position	6	57
Combining Schedule of Changes in Fiduciary Net Position	7	58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	60
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-66

Exira-Elk Horn-Kimballton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Kevin Petersen	President	2017
Terri Harris	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
(After September 2015 Election)		
Kevin Petersen	President	2017
Terri Harris	Vice President	2019
Tamie Fahn	Board Member	2017
Joel Schlueter	Board Member	2019
Tom Benton	Board Member	2017
Matt Jorgensen	Board Member	2019
Ryan Wilson	Board Member	2019
School Officials		
Dean Schnoes	Superintendent	2016
Marie Larson	District Treasurer/ Business Manager	2016
Tami Jacobsen	District Secretary	2016
Ahlers & Cooney P.C.	Attorney	2016

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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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, 2016, and the related Notes to 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 44 through 49 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2017 on our consideration of Exira-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.

March 3, 2017
Newton, Iowa

Exira-Elk Horn-Kimballton Community School District

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,971,405 during fiscal year 2015 to \$4,538,103 during fiscal year 2016, while General Fund expenditures increased from \$4,733,586 during fiscal year 2015 to \$4,823,826 during fiscal year 2016. Expenditures exceeded revenues causing the District's General Fund balance to decrease from \$2,070,971 at June 30, 2015 to \$1,785,248 at June 30, 2016, a 13.80% decrease.
- The decrease in revenues was due primarily to a decrease in state source revenues received during the year. The increase in expenditures was attributable to an increase in negotiated salaries and benefits.
- The District's solvency ratio (unassigned fund balance / General Fund revenues minus AEA flowthrough) was 31.48% at June 30, 2016, compared to 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 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.

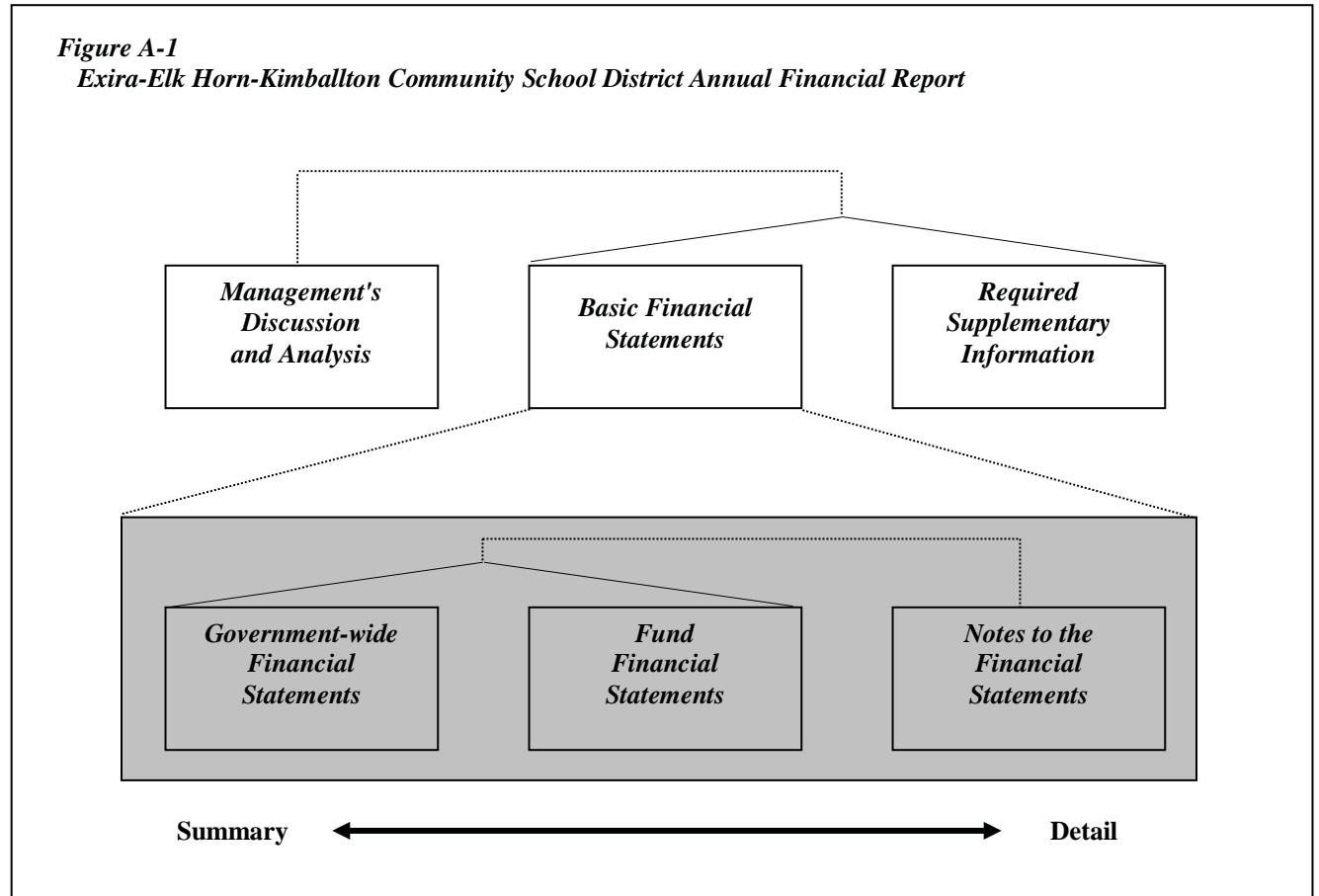


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, 2016 compared to June 30, 2015.

	Figure A-3							Total Change June 30, 2015-16
	Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District			
	June 30,		June 30,		June 30,			
	2016	2015	2016	2015	2016	2015		
Current and other assets	\$ 6,520,017	6,807,536	58,270	60,512	6,578,287	6,868,048	-4.22%	
Capital assets	4,877,045	4,987,219	37,722	43,797	4,914,767	5,031,016	-2.31%	
Total assets	11,397,062	11,794,755	95,992	104,309	11,493,054	11,899,064	-3.41%	
Deferred outflows of resources	378,190	397,398	11,574	12,253	389,764	409,651	-4.85%	
Long-term liabilities	2,843,637	3,180,960	49,458	53,866	2,893,095	3,234,826	-10.56%	
Other liabilities	551,593	526,544	19,306	17,802	570,899	544,346	4.88%	
Total liabilities	3,395,230	3,707,504	68,764	71,668	3,463,994	3,779,172	-8.34%	
Deferred inflows of resources	2,724,727	2,951,624	18,891	20,543	2,743,618	2,972,167	-7.69%	
Net position:								
Net investment in capital assets	3,627,459	3,556,597	37,722	43,797	3,665,181	3,600,394	1.80%	
Restricted	2,263,679	2,076,784	-	-	2,263,679	2,076,784	9.00%	
Unrestricted	(235,843)	(100,356)	(17,811)	(19,446)	(253,654)	(119,802)	-111.73%	
Total net position	\$ 5,655,295	5,533,025	19,911	24,351	5,675,206	5,557,376	2.12%	

The District's total net position increased 2.12%, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$186,895 or 9.00%, over the prior year. This increase was primarily due to the increase in Management Levy Fund.

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 - decreased \$133,852, or 111.73%. The decrease in unrestricted net position was primarily a result of the decrease in the unassigned General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 260,550	274,707	101,469	102,831	362,019	377,538	-4.11%
Operating grants, contributions and restricted interest	470,514	455,518	122,464	121,636	592,978	577,154	2.74%
General revenues:							
Property tax	2,302,056	2,461,409	-	-	2,302,056	2,461,409	-6.47%
Income surtax	138,797	206,641	-	-	138,797	206,641	-32.83%
Statewide sales, services and use tax	396,347	412,477	-	-	396,347	412,477	-3.91%
Unrestricted state grants	2,034,444	2,511,241	-	-	2,034,444	2,511,241	-18.99%
Unrestricted investment earnings	9,065	7,313	54	65	9,119	7,378	23.60%
Other	41,537	64,601	173	477	41,710	65,078	-35.91%
Total revenues	<u>5,653,310</u>	<u>6,393,907</u>	<u>224,160</u>	<u>225,009</u>	<u>5,877,470</u>	<u>6,618,916</u>	<u>-11.20%</u>
Program expenses:							
Instruction	3,414,403	3,347,180	-	-	3,414,403	3,347,180	2.01%
Support services	1,671,210	1,707,715	5,537	2,756	1,676,747	1,710,471	-1.97%
Non-instructional programs	-	-	223,063	229,107	223,063	229,107	-2.64%
Other expenses	445,427	458,250	-	-	445,427	458,250	-2.80%
Total expenses	<u>5,531,040</u>	<u>5,513,145</u>	<u>228,600</u>	<u>231,863</u>	<u>5,759,640</u>	<u>5,745,008</u>	<u>0.25%</u>
Change in net position	122,270	880,762	(4,440)	(6,854)	117,830	873,908	-86.52%
Net position beginning of year	<u>5,533,025</u>	<u>4,652,263</u>	<u>24,351</u>	<u>31,205</u>	<u>5,557,376</u>	<u>4,683,468</u>	<u>18.66%</u>
Net position end of year	<u>\$ 5,655,295</u>	<u>5,533,025</u>	<u>19,911</u>	<u>24,351</u>	<u>5,675,206</u>	<u>5,557,376</u>	<u>2.12%</u>

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 86.17% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounted for 99.90% of the revenue from business type activities.

The District's total revenues were approximately \$5.87 million, of which approximately \$5.65 million was for governmental activities and approximately \$0.22 million was for business type activities.

As shown in figure A-4, the District as a whole experienced an 11.20% decrease in revenues and a 0.25% increase in expenses. The decrease in revenues was primarily due to a decrease in unrestricted state grants and the increase in expenses was primarily due to an increase in instruction expenses.

Governmental Activities

Revenues for governmental activities were \$5,653,310 and expenses were \$5,531,040 for the year ended June 30, 2016.

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, 2016, compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 3,414,403	3,347,180	2.01%	2,893,956	2,805,823	3.14%
Support services	1,671,210	1,707,715	-2.14%	1,644,469	1,705,775	-3.59%
Other expenses	445,427	458,250	-2.80%	261,551	271,322	-3.60%
Totals	<u>\$ 5,531,040</u>	<u>5,513,145</u>	<u>0.32%</u>	<u>4,799,976</u>	<u>4,782,920</u>	<u>0.36%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$260,550.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$470,514.
- The net cost of governmental activities was financed with \$2,302,056 in property tax, \$138,797 in income surtax, \$396,347 in statewide sales, services and use tax, \$2,034,444 in unrestricted state grants, \$9,065 in interest income and \$41,537 in other general revenues.

Business Type Activities

Revenues of business type activities for the year ended June 30, 2016 were \$224,160, a 0.38% decrease from the prior year, while expenses were \$228,600, a 1.41% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$3,681,356, below last year's ending fund balances of \$3,792,049. The primary reason for the decrease in combined fund balances was the decline in the General Fund balance.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,070,971 at June 30, 2015 to \$1,785,248 at June 30, 2016. This was primarily due to a decrease in state source revenues and an increase in instructional expenditures.
- The Capital Projects Fund balance increased from \$1,186,211 at June 30, 2015 to \$1,256,819 at June 30, 2016. This was primarily due to an increase in local source revenues.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$24,351 at June 30, 2015 to \$19,911 at June 30, 2016, representing a decrease of 18.23%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Exira-Elk Horn-Kimballton Community School District amended its budget one time to reflect additional expenditures associated with additional special education, technology, and transportation costs.

The District's revenues were \$269,084 more than budgeted revenues, a variance of 4.77%. 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 support services expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$4,914,767, 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 \$300,124

The original cost of the District's capital assets was \$10,419,049. Governmental funds accounted for \$10,236,622 with the remainder of \$182,427 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$389,771 at June 30, 2016 compared to \$346,705 reported at June 30, 2015. This was primarily due to the District purchasing new vehicles during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2015-16
Land	\$ 93,293	93,293	-	-	93,293	93,293	0.00%
Buildings	4,304,257	4,458,893	-	-	4,304,257	4,458,893	-3.59%
Land improvements	127,446	132,125	-	-	127,446	132,125	-3.67%
Machinery and equipment	352,049	302,908	37,722	43,797	389,771	346,705	11.05%
Total	\$ 4,877,045	4,987,219	37,722	43,797	4,914,767	5,031,016	-2.31%

Long-Term Debt

At June 30, 2016, the District had \$2,893,095 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 \$110,000 at June 30, 2016 payable from the Debt Service Fund.

The District had outstanding revenue bonded indebtedness of \$1,090,000 at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding bus lease indebtedness of \$49,586 at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had termination benefits payable of \$21,530 at June 30, 2016, payable from the Special Revenue, Management Levy Fund.

The District had a total net pension liability of \$1,621,979 at June 30, 2016. \$1,572,521 of this total was attributable to the District's governmental activities while the remaining \$49,458 was attributable to the District's business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
General obligation bonds	\$ 110,000	210,000	-	-	110,000	210,000	-47.62%
Revenue bonds	1,090,000	1,160,000	-	-	1,090,000	1,160,000	-6.03%
Bus lease	49,586	60,622	-	-	49,586	60,622	-18.20%
Termination benefits	21,530	32,295	-	-	21,530	32,295	-33.33%
Net pension liability	1,572,521	1,718,043	49,458	53,866	1,621,979	1,771,909	-8.46%
Total	\$ 2,843,637	3,180,960	49,458	53,866	2,893,095	3,234,826	-10.56%

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 upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget and collective bargaining. The potential impact of state reductions to education is an unknown that we must be ready to address and compensate along with the potential impact of the changes being proposed to the collective bargaining agreements.
- 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, the District has hired a replacement Superintendent/High School Principal which will have an impact on the school's budget, future negotiations & the recommendations being made to the school board.

-
- The October 2016 certified enrollment increased by 32 students while the number of students in our buildings increased by 37 students. This will have an impact on the amount of state funding we receive in future years.

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, District Treasurer/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, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,078,112	50,278	4,128,390
Receivables:			
Property tax:			
Delinquent	20,817	-	20,817
Succeeding year	2,124,046	-	2,124,046
Income surtax	179,768	-	179,768
Accounts	3,298	-	3,298
Due from other governments	105,269	-	105,269
Inventories	-	7,690	7,690
Net OPEB asset	8,707	302	9,009
Capital assets, net of accumulated depreciation	4,877,045	37,722	4,914,767
Total assets	11,397,062	95,992	11,493,054
Deferred Outflows of Resources			
Pension related deferred outflows	378,190	11,574	389,764
Liabilities			
Accounts payable	130,972	-	130,972
Salaries and benefits payable	394,118	16,248	410,366
Advances from grantors	1,050	-	1,050
Accrued interest payable	25,453	-	25,453
Unearned revenue	-	3,058	3,058
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	110,000	-	110,000
Revenue bonds payable	70,000	-	70,000
Bus lease payable	49,586	-	49,586
Termination benefits payable	10,765	-	10,765
Portion due after one year:			
Revenue bonds payable	1,020,000	-	1,020,000
Termination benefits payable	10,765	-	10,765
Net pension liability	1,572,521	49,458	1,621,979
Total liabilities	3,395,230	68,764	3,463,994
Deferred Inflows of Resources			
Unavailable property tax revenue	2,124,046	-	2,124,046
Pension related deferred inflows	600,681	18,891	619,572
Total deferred inflows of resources	2,724,727	18,891	2,743,618
Net Position			
Net investment in capital assets	3,627,459	37,722	3,665,181
Restricted for:			
Categorical funding	414,554	-	414,554
Management levy purposes	321,662	-	321,662
Student activities	46,015	-	46,015
Debt service	224,629	-	224,629
School infrastructure	744,074	-	744,074
Physical plant and equipment	512,745	-	512,745
Unrestricted	(235,843)	(17,811)	(253,654)
Total net position	\$ 5,655,295	19,911	5,675,206

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	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	\$ 2,187,274	107,703	27,416	(2,052,155)	-	(2,052,155)
Special	633,921	6,159	76,012	(551,750)	-	(551,750)
Other	593,208	146,145	157,012	(290,051)	-	(290,051)
	<u>3,414,403</u>	<u>260,007</u>	<u>260,440</u>	<u>(2,893,956)</u>	<u>-</u>	<u>(2,893,956)</u>
Support services:						
Student	42,857	-	-	(42,857)	-	(42,857)
Instructional staff	416,131	-	21,658	(394,473)	-	(394,473)
Administration	429,855	-	-	(429,855)	-	(429,855)
Operation and maintenance of plant	466,874	-	-	(466,874)	-	(466,874)
Transportation	315,493	543	4,540	(310,410)	-	(310,410)
	<u>1,671,210</u>	<u>543</u>	<u>26,198</u>	<u>(1,644,469)</u>	<u>-</u>	<u>(1,644,469)</u>
Long-term debt interest	66,148	-	-	(66,148)	-	(66,148)
Other expenditures:						
AEA flowthrough	183,876	-	183,876	-	-	-
Depreciation(unallocated)*	195,403	-	-	(195,403)	-	(195,403)
	<u>379,279</u>	<u>-</u>	<u>183,876</u>	<u>(195,403)</u>	<u>-</u>	<u>(195,403)</u>
Total governmental activities	<u>5,531,040</u>	<u>260,550</u>	<u>470,514</u>	<u>(4,799,976)</u>	<u>-</u>	<u>(4,799,976)</u>
Business type activities:						
Support services:						
Administration	750	-	-	-	(750)	(750)
Operation and maintenance of plant	4,787	-	-	-	(4,787)	(4,787)
	<u>5,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,537)</u>	<u>(5,537)</u>
Non-instructional programs:						
Food service operations	223,063	101,469	122,464	-	870	870
Total business type activities	<u>228,600</u>	<u>101,469</u>	<u>122,464</u>	<u>-</u>	<u>(4,667)</u>	<u>(4,667)</u>
Total	<u>\$ 5,759,640</u>	<u>362,019</u>	<u>592,978</u>	<u>(4,799,976)</u>	<u>(4,667)</u>	<u>(4,804,643)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,918,736	-	1,918,736
Debt services				119,357	-	119,357
Capital outlay				263,963	-	263,963
Income surtax				138,797	-	138,797
Statewide sales, services and use tax				396,347	-	396,347
Unrestricted state grants				2,034,444	-	2,034,444
Unrestricted investment earnings				9,065	54	9,119
Other				41,537	173	41,710
Total general revenues				<u>4,922,246</u>	<u>227</u>	<u>4,922,473</u>
Change in net position				122,270	(4,440)	117,830
Net position beginning of year				<u>5,533,025</u>	<u>24,351</u>	<u>5,557,376</u>
Net position end of year				<u>\$ 5,655,295</u>	<u>19,911</u>	<u>5,675,206</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, 2016

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 2,251,800	1,189,547	636,765	4,078,112
Receivables:				
Property tax:				
Delinquent	15,309	2,389	3,119	20,817
Succeeding year	1,546,182	272,043	305,821	2,124,046
Income surtax	179,768	-	-	179,768
Accounts	2,958	-	340	3,298
Due from other governments	40,386	64,883	-	105,269
Total assets	\$ 4,036,403	1,528,862	946,045	6,511,310
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 130,037	-	935	130,972
Salaries and benefits payable	394,118	-	-	394,118
Advances from grantors	1,050	-	-	1,050
Total liabilities	525,205	-	935	526,140
Deferred inflows of resources:				
Unavailable revenue:				
Succeeding year property tax	1,546,182	272,043	305,821	2,124,046
Income surtax	179,768	-	-	179,768
Total deferred inflows of resources	1,725,950	272,043	305,821	2,303,814
Fund balances:				
Restricted for:				
Categorical funding	414,554	-	-	414,554
Management levy purposes	-	-	343,192	343,192
Student activities	-	-	46,015	46,015
Debt service	-	-	250,082	250,082
School infrastructure	-	744,074	-	744,074
Physical plant and equipment	-	512,745	-	512,745
Unassigned	1,370,694	-	-	1,370,694
Total fund balances	1,785,248	1,256,819	639,289	3,681,356
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,036,403	1,528,862	946,045	6,511,310

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, 2016

Total fund balances of governmental funds (page 20)	\$	3,681,356
 <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.		4,877,045
Accounts receivable income surtax is not available to finance current year expenditures and, therefore, is reported as deferred inflows of resources in the governmental funds.		179,768
Other post-employment benefits are not available to finance expenditures of the current fiscal period.		8,707
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.		(25,453)
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	\$ 378,190	
Deferred inflows of resources	<u>(600,681)</u>	(222,491)
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>(2,843,637)</u>
Net position of governmental activities (page 18)	\$	<u><u>5,655,295</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, 2016

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,870,078	263,963	344,912	2,478,953
Tuition	112,796	-	-	112,796
Other	60,254	2,342	144,251	206,847
State sources	2,290,676	397,311	1,278	2,689,265
Federal sources	203,549	-	-	203,549
Total revenues	4,537,353	663,616	490,441	5,691,410
Expenditures:				
Current:				
Instruction:				
Regular	2,190,275	-	32,295	2,222,570
Special	651,822	-	-	651,822
Other	487,643	-	132,820	620,463
	3,329,740	-	165,115	3,494,855
Support services:				
Student	64,133	-	-	64,133
Instructional staff	113,554	296,607	-	410,161
Administration	526,071	1,750	-	527,821
Operation and maintenance of plant	385,254	12,078	80,561	477,893
Transportation	221,198	114,407	18,824	354,429
	1,310,210	424,842	99,385	1,834,437
Capital outlay	-	40,684	-	40,684
Long-term debt:				
Principal	-	-	181,036	181,036
Interest and fiscal charges	-	-	67,965	67,965
	-	-	249,001	249,001
Other expenditures:				
AEA flowthrough	183,876	-	-	183,876
Total expenditures	4,823,826	465,526	513,501	5,802,853
Excess(Deficiency) of revenues over(under) expenditures	(286,473)	198,090	(23,060)	(111,443)
Other financing sources(uses):				
Transfer in	-	-	127,482	127,482
Transfer out	-	(127,482)	-	(127,482)
Proceeds from disposal of equipment	750	-	-	750
Total other financing sources(uses)	750	(127,482)	127,482	750
Change in fund balances	(285,723)	70,608	104,422	(110,693)
Fund balances beginning of year	2,070,971	1,186,211	534,867	3,792,049
Fund balances end of year	\$ 1,785,248	1,256,819	639,289	3,681,356

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, 2016

Change in fund balances - total governmental funds (page 22) \$ (110,693)

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. Depreciation expense exceeded capital outlay in the current year as follows:

Capital outlay	\$ 183,875	
Depreciation expense	<u>(294,049)</u>	(110,174)

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. 181,036

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. 1,817

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. (38,100)

The current year District 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. 228,450

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	10,765	
Pension expense	(47,605)	
Other postemployment benefits	<u>6,774</u>	<u>(30,066)</u>

Change in net position of governmental activities (page 19) \$ 122,270

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 50,278
Inventories	7,690
	57,968
Noncurrent assets:	
Net OPEB asset	302
Capital assets, net of accumulated depreciation	37,722
	38,024
Total assets	95,992
 Deferred Outflows of Resources	
Pension related deferred outflows	11,574
 Liabilities	
Current liabilities:	
Salaries and benefits payable	16,248
Unearned revenues	3,058
	19,306
Noncurrent liabilities:	
Net pension liability	49,458
Total liabilities	68,764
 Deferred Inflows of Resources	
Pension related deferred inflows	18,891
 Net Position	
Net investment in capital assets	37,722
Unrestricted	(17,811)
Total net position	\$ 19,911

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, 2016

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 101,469
Miscellaneous	173
Total operating revenues	101,642
Operating expenses:	
Support services:	
Administration:	
Services	750
Operation and maintenance of plant:	
Services	4,787
	5,537
Non-instructional programs:	
Food service operations:	
Salaries	82,533
Benefits	23,735
Supplies	110,654
Depreciation	6,075
Other	66
	223,063
Total operating expenses	228,600
Operating loss	(126,958)
Non-operating revenues:	
Interest income	54
State sources	2,002
Federal sources	120,462
Total non-operating revenues	122,518
Change in net position	(4,440)
Net position beginning of year	24,351
Net position end of year	\$ 19,911

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 101,900
Cash received from miscellaneous operating activities	173
Cash payments to employees for services	(110,811)
Cash payments to suppliers for goods or services	(101,214)
Net cash used in operating activities	(109,952)
Cash flows from non-capital financing activities:	
State grants received	2,002
Federal grants received	103,567
Net cash provided by non-capital financing activities	105,569
Cash flows from investing activities:	
Interest on investments	54
Net decrease in cash and pooled investments	(4,329)
Cash and pooled investments beginning of year	54,607
Cash and pooled investments end of year	\$ 50,278
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (126,958)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	16,895
Depreciation	6,075
Increase in inventories	(1,852)
Increase in salaries and benefits payable	1,073
Increase in unearned revenue	431
Decrease in net pension liability	(4,408)
Decrease in deferred outflows of resources	679
Decrease in deferred inflows of resources	(1,652)
Decrease in other postemployment benefits	(235)
Net cash used in operating activities	\$ (109,952)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$16,895 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 657,890	35,617
Liabilities		
Due to other groups	-	35,617
Net Position		
Held in trust for scholarships	\$ 657,890	-

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, 2016

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 3,419</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>15,250</u>
Change in net position	(11,831)
Net position beginning of year	<u>669,721</u>
Net position end of year	<u><u>\$ 657,890</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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 Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary fund:

The District's proprietary fund is the Enterprise School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, 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 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

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 year(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 year(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, 2016 expenditures in the support services functional area exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2016 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, 2016, the District had no investments.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 93,293	-	-	93,293
Total capital assets not being depreciated	93,293	-	-	93,293
Capital assets being depreciated:				
Buildings	8,185,553	30,838	-	8,216,391
Land improvements	193,323	5,250	-	198,573
Machinery and equipment	1,590,858	147,787	10,280	1,728,365
Total capital assets being depreciated	9,969,734	183,875	10,280	10,143,329
Less accumulated depreciation for:				
Buildings	3,726,660	185,474	-	3,912,134
Land improvements	61,198	9,929	-	71,127
Machinery and equipment	1,287,950	98,646	10,280	1,376,316
Total accumulated depreciation	5,075,808	294,049	10,280	5,359,577
Total capital assets being depreciated, net	4,893,926	(110,174)	-	4,783,752
Governmental activities capital assets, net	\$ 4,987,219	(110,174)	-	4,877,045
Business type activities:				
Machinery and equipment	\$ 182,427	-	-	182,427
Less accumulated depreciation	138,630	6,075	-	144,705
Business type activities capital assets, net	\$ 43,797	6,075	-	37,722

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 5,378
Other	900
Support services:	
Instructional staff	9,518
Administration	3,588
Operation and maintenance of plant	4,087
Transportation	75,175
	98,646
Unallocated depreciation	195,403
Total governmental activities depreciation expense	\$ 294,049
Business type activities:	
Food service operations	\$ 6,075

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 210,000	-	100,000	110,000	110,000
Revenue bonds	1,160,000	-	70,000	1,090,000	70,000
Bus lease	60,622	-	11,036	49,586	49,586
Termination benefits	32,295	21,530	32,295	21,530	10,765
Net pension liability	1,718,043	-	145,522	1,572,521	-
Total	<u>\$ 3,180,960</u>	<u>21,530</u>	<u>358,853</u>	<u>2,843,637</u>	<u>240,351</u>
Business type activities:					
Net pension liability	\$ 53,866	-	4,408	49,458	-

General Obligation Bonds

Details of the District's June 30, 2016 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue dated April 26, 2010			
	Interest Rate	Principal	Interest	Total
2017	3.20%	\$ 110,000	15,320	125,320

Revenue Bonds

Details of the District's June 30, 2016 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
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	4.000	70,000	33,534	103,534
2022-2026	4.000-4.300	370,000	124,212	494,212
2027-2030	4.300-4.625	370,000	39,537	409,537
Total		<u>\$ 1,090,000</u>	<u>356,792</u>	<u>1,446,792</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 29 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,446,792. For the current year, \$70,000 in principal and \$45,696 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$396,347.

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 December 20, 2013			
	Interest Rate	Principal	Interest	Total
2017	2.39%	\$ 49,586	1,185	50,771

Termination Benefits

During fiscal year 2016, 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, 2016, the District had obligations to four participants for a total liability of \$21,530. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$32,295.

5) Prior Year Defeasance of Debt

In fiscal year 2015, the District defeased certain general obligation bonds by placing the proceeds of an additional debt service levy in an irrevocable trust to provide for future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. At June 30, 2016, \$340,000 of bonds outstanding from the April 26, 2010 issue are considered defeased.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>127,482</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 and revenue bonded indebtedness.

(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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$235,273.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$1,621,979 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.032830%, which was a decrease of 0.011849% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$49,047. At June 30, 2016, 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	\$ 24,506	\$ -
Changes of assumptions	44,657	-
Net difference between projected and actual earnings on IPERS' investments	-	134,991
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	85,328	484,581
District contributions subsequent to the measurement date	235,273	-
Total	\$ 389,764	\$ 619,572

\$235,273 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, 2017. 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,	Amount
2017	\$ (132,819)
2018	(132,819)
2019	(132,819)
2020	(37,877)
2021	(28,747)
Total	\$ (465,081)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 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% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 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 IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates, net of 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>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.5%) or 1% higher (8.5%) 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	\$ 2,839,794	\$ 1,621,979	\$ 594,056

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$27,823 for legally required District contributions and \$18,538 for legally required employee contributions withheld from employee wages which had not yet been 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, 2016, 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	(80)
Adjustment to annual required contribution	71
Annual OPEB cost	<u>58,991</u>
Contributions made	<u>(66,000)</u>
Increase in net OPEB obligation	(7,009)
Net OPEB obligation beginning of year	<u>(2,000)</u>
Net OPEB obligation end of year	<u><u>\$ (9,009)</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, 2016.

For the year ended June 30, 2016, the District contributed \$66,000 to the plan. Plan members eligible for benefits contributed \$65,000 or 49.62% 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)
2016	58,991	111.88	(9,009)

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, 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 \$2,136,223 and the ratio of the UAAL to covered payroll was 23.7%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 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, 2016 were \$458,942.

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 \$183,876 for the year ended June 30, 2016 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, 2016 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 123,411
Gifted and talented programs	7,042
Returning dropouts and dropout prevention programs	172,316
Teacher salary supplement	14,135
Market factor	1,734
Beginning administrator mentoring and induction program	1,500
Model core curriculum	894
Successful progression for early readers	18,511
Professional development for model core curriculum	40,610
Teacher development academics	3,321
Professional development	31,080
Total	<u>\$ 414,554</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, 2016, expenditures in the support services functional area exceeded the amounts budgeted.

(13) 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)	\$ -	343,192	250,082	1,370,694
Capital assets, net of accumulated depreciation	4,877,045	-	-	-
General obligation bond capitalized indebtedness	(110,000)	-	-	-
Revenue bond capitalized indebtedness	(1,090,000)	-	-	-
Bus lease indebtedness	(49,586)	-	-	-
Termination benefits payable	-	(21,530)	-	-
Accrued interest payable	-	-	(25,453)	-
Income surtax receivable	-	-	-	179,768
Pension related deferred outflows	-	-	-	378,190
Pension related deferred inflows	-	-	-	(600,681)
Net pension liability	-	-	-	(1,572,521)
Net OPEB asset	-	-	-	8,707
Net position (Exhibit A)	<u>\$ 3,627,459</u>	<u>321,662</u>	<u>224,629</u>	<u>(235,843)</u>

REQUIRED SUPPLEMENTARY INFORMATION

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 2,798,596	101,696	2,900,292	2,709,392	2,709,392	190,900
State sources	2,689,265	2,002	2,691,267	2,682,094	2,682,094	9,173
Federal sources	203,549	120,462	324,011	255,000	255,000	69,011
Total revenues	<u>5,691,410</u>	<u>224,160</u>	<u>5,915,570</u>	<u>5,646,486</u>	<u>5,646,486</u>	<u>269,084</u>
Expenditures/Expenses:						
Instruction	3,494,855	-	3,494,855	3,801,500	3,901,500	406,645
Support services	1,834,437	5,537	1,839,974	1,760,400	1,835,400	(4,574)
Non-instructional programs	-	223,063	223,063	240,000	240,000	16,937
Other expenditures	473,561	-	473,561	726,642	726,642	253,081
Total expenditures/expenses	<u>5,802,853</u>	<u>228,600</u>	<u>6,031,453</u>	<u>6,528,542</u>	<u>6,703,542</u>	<u>672,089</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(111,443)	(4,440)	(115,883)	(882,056)	(1,057,056)	941,173
Other financing sources, net	<u>750</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(110,693)	(4,440)	(115,133)	(882,056)	(1,057,056)	941,923
Balances beginning of year	<u>3,792,049</u>	<u>24,351</u>	<u>3,816,400</u>	<u>2,867,730</u>	<u>2,867,730</u>	<u>948,670</u>
Balances end of year	<u>\$ 3,681,356</u>	<u>19,911</u>	<u>3,701,267</u>	<u>1,985,674</u>	<u>1,810,674</u>	<u>1,890,593</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, 2016

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, the District adopted one budget amendment, increasing budgeted expenditures by \$175,000.

During the year ended June 30, 2016, expenditures in the support services 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
 FOR THE LAST TWO YEARS*

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	
District's proportion of the net pension liability	0.032830%	0.044679%	**
District's proportionate share of the net pension liability	\$ 1,621,979	1,771,909	**
District's covered-employee payroll	\$ 2,249,176	2,935,789	**
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.36%	
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%	

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

** The 2015 proportion of the net pension liability, proportionate share of the net pension liability and 2015 covered-employee payroll is the sum of the covered wages of the former Exira Community School District and Elk Horn-Kimballton Community School District. These Districts merged to form the Exira-Elk Horn-Kimballton Community School District on July 1, 2014.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 235,273	200,852
Contributions in relation to the statutorily required contribution	<u>(235,273)</u>	<u>(200,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	\$ 2,634,634	2,249,176
Contributions as a percentage of covered-employee payroll	8.93%	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, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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%
2016	July 1, 2014	-	507,000	507,000	0.0	2,136,223	23.7

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.

Exira-Elk Horn-Kimballton Community School District

SUPPLEMENTARY INFORMATION

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Assets					
Cash and pooled investments	\$ 341,153	46,610	387,763	249,002	636,765
Receivables:					
Property tax:					
Delinquent	2,039	-	2,039	1,080	3,119
Succeeding year	180,000	-	180,000	125,821	305,821
Accounts	-	340	340	-	340
Total assets	\$ 523,192	46,950	570,142	375,903	946,045
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	935	935	-	935
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	180,000	-	180,000	125,821	305,821
Fund balances:					
Restricted for:					
Management levy purposes	343,192	-	343,192	-	343,192
Student activities	-	46,015	46,015	-	46,015
Debt service	-	-	-	250,082	250,082
Total fund balances	343,192	46,015	389,207	250,082	639,289
Total liabilities, deferred inflows of resources and fund balances	\$ 523,192	46,950	570,142	375,903	946,980

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, 2016

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 225,555	-	225,555	119,357	344,912
Other	17,473	124,502	141,975	2,276	144,251
State sources	842	-	842	436	1,278
Total revenues	243,870	124,502	368,372	122,069	490,441
Expenditures:					
Current:					
Instruction:					
Regular	32,295	-	32,295	-	32,295
Other	-	132,820	132,820	-	132,820
Support services:					
Operation and maintenance of plant	80,561	-	80,561	-	80,561
Transportation	18,824	-	18,824	-	18,824
Long-term debt:					
Principal	-	-	-	181,036	181,036
Interest and fiscal charges	-	-	-	67,965	67,965
Total expenditures	131,680	132,820	264,500	249,001	513,501
Excess(Deficiency) of revenues over(under) expenditures	112,190	(8,318)	103,872	(126,932)	(23,060)
Other financing sources:					
Transfers in	-	-	-	127,482	127,482
Change in fund balances	112,190	(8,318)	103,872	550	104,422
Fund balances beginning of year	231,002	54,333	285,335	249,532	534,867
Fund balances end of year	\$ 343,192	46,015	389,207	250,082	639,289

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 679,191	510,356	1,189,547
Receivables:			
Property tax:			
Delinquent	-	2,389	2,389
Succeeding year	-	272,043	272,043
Due from other governments	64,883	-	64,883
Total assets	\$ 744,074	784,788	1,528,862
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	272,043	272,043
Fund balances:			
Restricted for:			
School infrastructure	744,074	-	744,074
Physical plant and equipment	-	512,745	512,745
Total fund balances	744,074	512,745	1,256,819
Total liabilities, deferred inflows of resources and fund balances	\$ 744,074	784,788	1,528,862

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	263,963	263,963
Other	1,436	906	2,342
State sources	396,347	964	397,311
Total revenues	<u>397,783</u>	<u>265,833</u>	<u>663,616</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	124,955	171,652	296,607
Administration	1,750	-	1,750
Operation and maintenance of plant	-	12,078	12,078
Transportation	92,663	21,744	114,407
Capital outlay	34,321	6,363	40,684
Total expenditures	<u>253,689</u>	<u>211,837</u>	<u>465,526</u>
Excess of revenues over expenditures	144,094	53,996	198,090
Other financing uses:			
Transfer out	(127,482)	-	(127,482)
Change in fund balances	16,612	53,996	70,608
Fund balances beginning of year	<u>727,462</u>	<u>458,749</u>	<u>1,186,211</u>
Fund balances end of year	<u>\$ 744,074</u>	<u>512,745</u>	<u>1,256,819</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, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Speech/drama	\$ 1,578	-	50	-	1,528
Vocal music	244	-	-	-	244
Instrumental music	212	100	1	300	611
Cross country	-	770	1,494	724	-
Golf	-	110	690	580	-
Cheerleaders	141	427	452	-	116
Drill team	578	448	459	-	567
Boys basketball	4,092	5,319	7,225	(2,186)	-
Football	-	8,540	15,759	7,219	-
Baseball	-	2,563	6,206	3,643	-
Boys track	-	1,004	2,653	1,649	-
Wrestling	-	694	2,068	1,374	-
Girls basketball	4,500	5,902	7,094	(3,308)	-
Volleyball	3	2,211	3,147	933	-
Softball	-	2,243	4,278	2,035	-
Girls track	-	494	1,468	974	-
Athletics	25,128	28,430	16,697	(11,455)	25,406
Spanish club	79	-	-	-	79
8th grade	532	930	930	(532)	-
Freshman class	35	308	868	525	-
Sophomore class	492	475	-	(457)	510
Junior class	1,898	7,474	6,498	(1,407)	1,467
Senior class	-	620	1,830	1,898	688
Science club	254	1,244	1,362	834	970
Elementary special education	17	-	-	(17)	-
MS TAG	146	-	-	(146)	-
Art club	1,358	-	-	(834)	524
Trap shoot club	-	4,124	2,882	-	1,242
FFA	4,838	29,556	28,574	-	5,820
FBLA	339	2,774	2,608	-	505
National honor society	691	15	68	-	638
Student council	1,321	1,198	1,413	780	1,886
Elementary student council	645	-	-	(645)	-
Leadership	2,817	100	699	-	2,218
HS leadership	443	-	322	-	121
District football	220	-	-	-	220
DC trip account	80	79	-	-	159
Band	300	-	-	(300)	-
Annual	1,352	4,765	5,621	-	496
Athletic concession	-	11,585	9,404	(2,181)	-
Total	\$ 54,333	124,502	132,820	-	46,015

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts								
	Jensen Scholarship	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Exira Hansen Scholarship	Exira Sorensen Scholarship	Kommes Scholarship	Total
Assets									
Cash and pooled investments	\$ 6,618	104,633	7,486	40	167,152	256,241	115,333	387	657,890
Liabilities									
	-	-	-	-	-	-	-	-	-
Net Position									
Held in trust for scholarships	\$ 6,618	104,633	7,486	40	167,152	256,241	115,333	387	657,890

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund- Scholarship Accounts								Total
	Jensen Scholarship	Hansen Scholarship	Larsen Scholarship	Science Scholarship	Sorensen Scholarship	Exira Hansen Scholarship	Exira Sorensen Scholarship	Kommes Scholarship	
Additions:									
Local sources:									
Interest income	\$ 4	1,302	5	-	1,549	384	174	1	3,419
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	825	750	175	250	10,750	-	2,000	500	15,250
Change in net position	(821)	552	(170)	(250)	(9,201)	384	(1,826)	(499)	(11,831)
Net position beginning of year	7,439	104,081	7,656	290	176,353	255,857	117,159	886	669,721
Net position end of year	\$ 6,618	104,633	7,486	40	167,152	256,241	115,333	387	657,890

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, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 23,413	20,380	8,176	35,617
Liabilities				
Due to other groups	\$ 23,413	20,380	8,176	35,617

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
 FOR TWO YEARS ENDED JUNE 30, 2016

	Modified Accrual Basis	
	Year Ended June 30,	
	2016	2015
Revenues:		
Local sources:		
Local tax	\$ 2,478,953	2,727,359
Tuition	112,796	125,116
Other	206,847	228,119
State sources	2,689,265	3,178,340
Federal sources	203,549	194,282
Total	<u>\$ 5,691,410</u>	<u>6,453,216</u>
Expenditures:		
Instruction:		
Regular	\$ 2,222,570	2,295,549
Special	651,822	495,525
Other	620,463	612,850
Support services:		
Student	64,133	63,466
Instructional staff	410,161	239,150
Administration	527,821	538,409
Operation and maintenance of plant	477,893	549,567
Transportation	354,429	350,831
Capital outlay	40,684	79,423
Long-term debt:		
Principal	181,036	567,873
Interest and fiscal charges	67,965	72,225
Other expenditures:		
AEA flow-through	183,876	186,928
Total	<u>\$ 5,802,853</u>	<u>6,051,796</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2017.

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-16 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, 2016 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.

March 3, 2017
Newton, Iowa

EXIRA-ELK HORN-KIMBALLTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-16 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) Journal entries - writing, approving, and posting.
- 10) 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, 2016

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 exceeded the amounts budgeted in the support services 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-16 Questionable Disbursements - We noted that the District has credit cards which may be checked out for use by employees. We noted however, that reimbursements to employees for items purchased with personal credit cards for the full purchase price, including sales tax. As the District is a tax-exempt entity, reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will review procedures and take the necessary steps to comply with the Attorney General's opinion regarding the non-reimbursement of sales tax.

Conclusion - Response accepted.

II-C-16 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-16 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	\$ 2,277

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-16 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 ensure that the coverage is adequate for current operations.

- II-F-16 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board. We did note that the Board minutes did not list all banks where the District had deposited money. We also noted that the District exceeded the maximum deposit limit set at one bank. 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 and their maximum deposit limits are not exceeded.
- Conclusion - Response accepted.
- II-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 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-16 Certified Annual Report - The Certified Annual Report was certified timely with the Iowa Department of Education.
- II-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- II-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	727,462
Revenues:			
Sales tax revenues	\$	396,347	
Other local revenues		1,436	397,783
			<u>1,125,245</u>
Expenditures/transfer out:			
School infrastructure construction	\$	30,838	
Equipment		217,618	
Other		5,233	
Transfer to another fund:			
Debt service fund		127,482	381,171
			<u>381,171</u>
Ending balance		\$	<u>744,074</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-16 Contract Signature - We noted athletic officials' contracts were not signed by the Board President. Chapter 291.1 of the Code of Iowa requires all contracts entered into by the District to be signed by the Board President.

Recommendation - The District should have the Board President sign all contracts entered into by the District in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will ensure that all athletic officials' contracts are signed by the Board President.

Conclusion - Response accepted.

II-N-16 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District will obtain copies of all cancelled checks, front and back, from the banks utilized to comply with Chapter 291.6 going forward.

Conclusion - Response accepted.