

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

To the Board of Education of
Eastern Allamakee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District, Lansing, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of KHS Booster Club have not been audited, and we were not engaged to audit the Booster Club financial statements as part of our audit of the Eastern Allamakee Community School District's basic financial statements. The Booster Club's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Booster Club's financial statements and because we did not apply any auditing procedures to the Booster Club's financial statements, we do not express an opinion on the discretely presented component unit.

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 Eastern Allamakee Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2008, on our consideration of Eastern Allamakee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Allamakee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein). For 2006 and 2005 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. Our opinions for 2004 were unqualified. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 12, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Allamakee Community School District's GASB 34 annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2007. The analysis focuses on the district's financial performance as a whole.

Please read it in conjunction with District's financial statements, which immediately follow this section.

2007 FINANCIAL HIGHLIGHTS

The general fund revenues increased from \$3,832,981 in fiscal 2006 to \$3,937,453 in fiscal 2007 while the general fund expenditures increased from \$3,958,210 in fiscal 2006 to \$3,992,300 in fiscal 2007. This resulted in a decrease in the district's general fund balance from \$710,420 in fiscal 2006 to a fund balance of \$639,547 in fiscal 2007 that is a decrease of 10 percent from the previous year.

The increase in general fund revenues was attributed to an increase in state funds and federal funds. The increase in expenditures was attributed to an increase in the costs for both instruction and support services.

The district receives Local Option Sales Tax that is being used for building repairs, maintenance and the construction of the new additions.

On March 2, 2004, the voters of the Eastern Allamakee Community School District over-whelmingly approved a ten year extension to the instructional support levy. This money is used to support the educational program portion of the general fund.

On September 12, 2004 the constituents of the Eastern Allamakee Community School District passed \$5,320,000 bond issue for the construction of an addition to the elementary at New Albin and to construct a new middle school in Lansing. The bond referendum passed 67.6% yes and 32.4% no. Students and staff occupied the newly remodeled buildings for the start of the 06-07 school year.

USING THIS ANNUAL REPORT

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are *government-wide financial* statements that provide both short-term and long-term information about the district's overall financial status.

The remaining statements are *fund financial statements* that focus on the individual parts of the district, reporting the district's operations in more detail than the government-wide statements.

The *government funds* statements explain how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the district operates like businesses, such as food services.

Fiduciary fund statements provide financial information about activities for which Eastern Allamakee Community School District acts solely as an agent or custodian for the benefit of others.

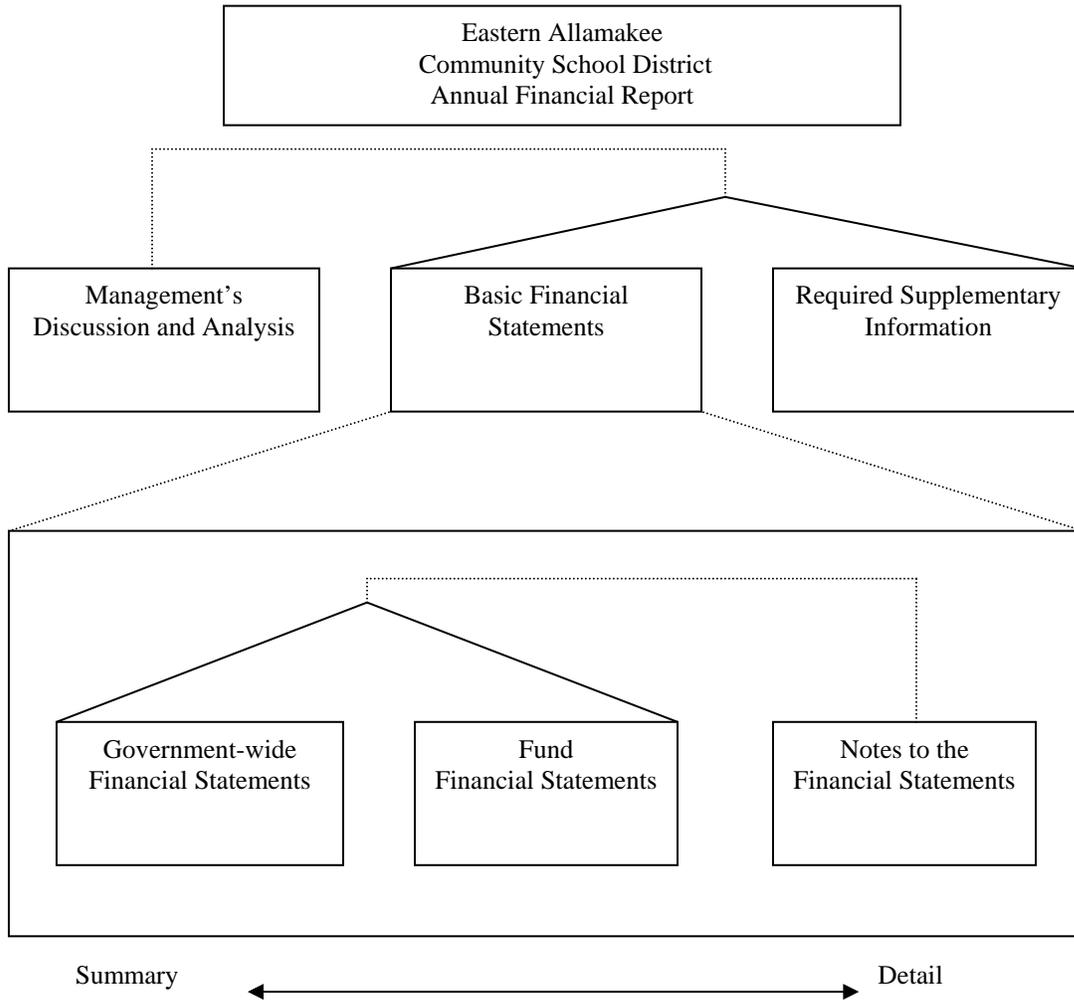
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary

information that further explains and supports the financial statements with a comparison of the district's budget for the year.

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

Figure A-1
Eastern Allamakee Community School District's Annual Finance Report

Figure A-1



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

Fiduciary Funds

	Government-wide Statements	Governmental funds	Fund Financial Statements	
			Propriety Funds	Fiduciary Funds
Scope	Entire district	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs.
Required financial Statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in fund Net assets Statement of cash Flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability Information	All assets and liabilities, both financial and capital short-term and long-term	generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets although they can
Type of inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	all revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether Financial position is improving or deteriorating, respectfully.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 would be 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:

Government Funds: Most of the District's basic services are included in government 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 the year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information in exhibits following the governmental funds statements explains the relationship of differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Funds.

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 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.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

Financial Analysis of the District as a Whole

Net assets. The District's combined net assets showed an increase for the year ending June 30, 2007 compared to June 30, 2006. The increase was in three areas: net assets, net liabilities and invested in capital assets net of related debt.

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2006	2007	2006	2007	2006	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,840,150	3,313,980	1,433	3,517	4,841,583	3,317,497	-32%
Capital assets	5,969,276	7,111,568	25,843	23,145	5,995,119	7,134,713	19%
Total assets	10,809,426	10,425,548	27,276	26,662	10,836,702	10,452,210	-4%
Long-term liabilities	7,209,987	5,203,958	-	-	7,209,987	5,203,958	-28%
Other liabilities	1,000,167	2,360,004	20,059	14,469	1,020,226	2,374,473	133%
Total liabilities	8,210,154	7,563,962	20,059	14,469	8,230,213	7,578,431	-8%
Net Assets:							
Invested in capital assets, net of related debt	1,406,138	2,086,568	25,843	23,145	1,431,981	2,109,713	47%
Restricted	408,379	221,580	-	-	408,379	221,580	-46%
Unrestricted	784,755	553,438	(18,626)	(10,952)	766,129	542,486	-14%
TOTAL NET ASSETS	2,599,272	2,861,586	7,217	12,193	2,606,489	2,873,779	10%

Current and other assets balance decrease is due to bond money spent by year-end. Capital assets increased due to the remodeling and construction of new buildings.

Long-term liabilities remained the same due to the bonds still outstanding at the end of the fiscal year.

Invested in capital assets net of related debt increased due to the construction of new buildings.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$186,799 or 46% over the prior year. The decrease was primarily a result of local option sales tax monies and physical plant and equipment monies that were spent during fiscal year 2007 for construction projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$223,643 or 14%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	
Revenues							
Program Revenues:							
Charges for services	256,010	246,406	116,127	127,934	372,137	374,340	1%
Operating grants & contributions	704,176	639,588	81,706	85,190	785,882	724,778	-8%
Capital grants & contributions	219,162	173,872	-	-	219,162	173,872	-21%
General Revenues:							
Property taxes	1,736,439	1,902,763	-	-	1,736,439	1,902,763	10%
Income Surtax	144,078	139,397	-	-	144,078	139,397	-3%
Local option sales tax	236,291	264,258	-	-	236,291	264,258	12%
Unrestricted state grants	1,492,117	1,399,663	-	-	1,492,117	1,399,663	-6%
Unrestricted investment earnings	34,640	32,750	252	335	34,892	33,085	-5%
Other revenue	8,836	19,802	-	-	8,836	19,802	124%
Total Revenues	4,831,749	4,818,499	198,085	213,459	5,029,834	5,031,958	0%
Expenses:							
Instruction	2,576,647	2,623,830	-	-	2,576,647	2,623,830	2%
Support services	1,469,182	1,376,636	-	-	1,469,182	1,376,636	-6%
Non-instructional programs	1,131	1,027	215,746	229,389	216,877	230,416	6%
Other expenditures	421,625	533,786	-	-	421,625	533,786	27%
Total expenses	4,468,585	4,535,279	215,746	229,389	4,684,331	4,764,668	2%
Change in net assets before transfers	363,164	283,220	(17,661)	(15,930)	345,503	267,290	-23%
Transfers	(11,665)	(20,906)	11,665	20,906	-	-	-
CHANGE IN NET ASSETS	351,499	262,314	(5,996)	4,976	345,503	267,290	-23%
Net assets beginning of year	2,247,773	2,599,272	13,213	7,217	2,260,986	2,606,489	15%
Net assets end of year	2,599,272	2,861,586	7,217	12,193	2,606,489	2,873,779	10%

For the 2006-2007 school year property tax and unrestricted state grants account for 66 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84 percent of total expenses. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$4,818,499 while expenses amounted to \$4,535,279.

The following table presents the total and net cost of District's major governmental activities: instruction, support services, non-instructional programs and other expense

Figure A-5**Total and Net Cost of Governmental Activities**

	Total Cost of Services 2006	Total Cost of Services 2007	Net Cost of Services 2006	Net Cost of Services 2007
	\$	\$	\$	\$
Instruction	2,576,647	2,623,830	1,777,096	1,786,883
Support Services	1,469,182	1,376,636	1,454,942	1,354,166
Non-instructional Programs	1,131	1,027	1,131	1,027
Other Expenses	421,625	533,786	56,068	333,337
TOTAL	4,468,585	4,535,279	3,289,237	3,475,413

A portion of the cost financed by users of the District's programs was \$246,406.

The federal and state government subsidized certain programs with grants and contributions totaling \$813,460.

The net cost portion of governmental activities was financed with \$1,902,763 in property tax and \$1,399,663 in unrestricted state foundation aid.

Business-Type Activities

Revenues of the District's business-type activities were \$213,459 and expenses were \$229,389 for a loss of \$15,930 before transfers. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The total revenues increased from \$4,722,359 at the end of fiscal year 2006 to \$4,797,003 at the end of fiscal year 2007. The difference was created in the following areas: local property tax increased from \$1,492,656 at the end of fiscal 2006 to \$1,610,186 at the end of fiscal 2007, state sources decreased from \$1,915,366 to \$1,894,963 during that same time period; the Capital Projects Fund decreased from \$352,765 to \$315,396 during the same period, and Debt Service increased from 303,059 in 2006 to \$311,805 in 2007. The nonmajor governmental funds decreased from \$233,554 to \$232,349 at the same time. This left a net increase of \$74,644 or .016%

During the same time total expenditures decreased from \$9,270,240 at the end of fiscal 2006 to \$5,879,196 or a decrease of \$3,391,044 or 37%. The decrease was in the areas of capital projects.

The reserved fund balance decreased slightly due to the purchase of computers and projectors to equip all high school classrooms and computer labs. The capital projects' unreserved fund decreased from 860,243 in 2006 to (178,273) in 2007 due to the building project. At the same time the nonmajor governmental remained unchanged.

Business-Type Highlights

The school nutrition fund increased by an amount of \$4,976 from June 30, 2006 to June 30, 2007. This left the account with a total net asset of \$12,193 or an increase of 69%.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its budget one time to reflect additional expenditures in the instruction, support services and non-instructional programs functions. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The budget was amended to accommodate expenditures for the construction project.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund and Capital Projects Funds. 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.

Capital Assets

The Eastern Allamakee Community School District had a total of \$8,368,278 of capital assets being depreciated. Of this amount \$1,263,877 was to total accumulated depreciation which left a net amount of \$7,104,401 total capital assets being depreciated. This was an increase of \$5,999,720 or 543%.

At June 30, 2007 the District had completed construction and equipped a fitness center for approximately \$340,000 and completed a \$5.1 million project to remodel the elementary center and add on to the high school.

Figure A-6
Capital Assets, net of depreciation

	Governmental Activities		Business-Type Activities		Total Eastern Allamakee CSD		Total Change %
	2007	2006	2007	2006	2007	2006	
Land	\$7,167	\$7,167	\$0	\$0	\$7,167	\$7,167	0.0%
Construction in Progress	\$0	\$4,857,428	\$0	\$0	\$0	\$4,857,428	-100%
Building	\$6,894,122	\$941,298	\$0	\$0	\$6,894,122	\$941,298	632%
Improvement other than Buildings	\$0	\$1,025	\$0	\$0	\$0	\$1,025	-100%
Furniture and equipment	\$210,279	\$162,358	\$23,145	\$25,843	\$233,424	\$188,201	24%
Total	\$7,111,568	\$5,969,276	\$23,145	\$25,843	\$7,134,713	\$5,995,119	19%

Long Term Debt

At year-end, the District had \$5,083,528 in general obligation bonds, early retirement and compensated absences. This represents a decrease of \$198,502 from year 2006. A six-year early retirement package for the certified staff was approved in 2006 for the amount of \$53,463 and a one-year early retirement package for the non-certified staff was approved in 2007 for the amount of \$7,277.00 District's voters authorized the issuance of \$5,320,000 in general obligation bonds and the bonds were sold in fiscal 2005. Repayment of those bonds began in 2006.

Figure A-8
Outstanding Long-Term Obligations

	Total Eastern Allamakee CSD 2007	2006	Total Change %
General Obligation Bonds	\$5,025,000	\$5,225,000	-4%
Early Retirement	\$54,281	\$53,463	2%
Compensated Salaries	\$4,247	\$3,567	19%
Total	\$5,083,528	\$5,282,030	-4%

Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of two circumstances that could significantly affect its financial health in the future:

The official student enrollment count taken in September 2007 showed that the enrollment had increased by 5.8 students. The district is aware that the incoming kindergarten classes are significantly smaller than the classes graduating, thus causing a decrease in enrollment in the future years.

The district will continue to use private transportation for another year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and private 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 any questions about this report or need additional financial information, contact Marian Verdon or Janet Heiderscheit, School Board Secretaries/Treasurers/Business Managers, Eastern Allamakee Community School District, 569 Center Street, Lansing, IA 52151.

BASIC FINANCIAL STATEMENTS

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Component Unit - KHS Booster Club
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	1,073,318	218	1,073,536	13,113
Receivables:				
Property tax:				
Delinquent	27,413	-	27,413	-
Succeeding year	1,815,340	-	1,815,340	-
Accounts	29	-	29	-
Accrued interest:				
Other	262	-	262	-
Due from other governments	267,576	1,299	268,875	-
Inventories	-	2,000	2,000	-
Bond issue costs	130,042	-	130,042	-
Capital assets, net of accumulated depreciation	7,111,568	23,145	7,134,713	-
Total assets	10,425,548	26,662	10,452,210	13,113
Liabilities				
Warrants in excess of bank balance	5,833	-	5,833	-
Accounts payable	134,706	-	134,706	-
Salaries and benefits payable	369,356	12,726	382,082	-
Accrued interest payable	34,769	-	34,769	-
Deferred revenue:				
Succeeding year property tax	1,815,340	-	1,815,340	-
Other	-	1,743	1,743	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	210,000	-	210,000	-
Bond premium	6,948	-	6,948	-
Termination benefits	12,930	-	12,930	-
Compensated absences	4,247	-	4,247	-
Portion due after one year:				
General obligation bonds payable	4,815,000	-	4,815,000	-
Bond premium	113,482	-	113,482	-
Termination benefits	41,351	-	41,351	-
Total liabilities	7,563,962	14,469	7,578,431	-

See notes to financial statements.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Component Unit - KHS Booster Club
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	2,086,568	23,145	2,109,713	-
Restricted for:				
State categorical aid	7,377	-	7,377	-
Management levy	57,540	-	57,540	-
Physical plant and equipment levy	90,835	-	90,835	-
Other special revenue purposes	65,828	-	65,828	-
Unrestricted	553,438	(10,952)	542,486	13,113
Total net assets	<u>2,861,586</u>	<u>12,193</u>	<u>2,873,779</u>	<u>13,113</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,761,134	125,826	381,913	136,365
Special	334,645	25,742	22,802	-
Other	528,051	93,963	50,336	-
	<u>2,623,830</u>	<u>245,531</u>	<u>455,051</u>	<u>136,365</u>
Support services:				
Student	88,481	-	-	-
Instructional staff	174,453	-	21,595	-
Administration	385,244	-	-	-
Operation and maintenance of plant	385,972	275	-	-
Transportation	342,486	600	-	-
	<u>1,376,636</u>	<u>875</u>	<u>21,595</u>	<u>-</u>
Non-instructional programs	<u>1,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	13,631	37,507
Long-term debt interest	206,154	-	-	-
AEA flowthrough	149,311	-	149,311	-
Depreciation (unallocated)*	178,321	-	-	-
	<u>533,786</u>	<u>-</u>	<u>162,942</u>	<u>37,507</u>
Total governmental activities	4,535,279	246,406	639,588	173,872
Business type activities:				
Non-instructional programs:				
Food service operations	229,389	127,934	85,190	-
Total primary government	4,764,668	374,340	724,778	173,872
Component Units:				
KHS Booster Club	18,290	26,399	-	-
Total	<u>4,782,958</u>	<u>400,739</u>	<u>724,778</u>	<u>173,872</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(1,117,030)	-	(1,117,030)	-
(286,101)	-	(286,101)	-
<u>(383,752)</u>	-	<u>(383,752)</u>	-
<u>(1,786,883)</u>	-	<u>(1,786,883)</u>	-
(88,481)	-	(88,481)	-
(152,858)	-	(152,858)	-
(385,244)	-	(385,244)	-
(385,697)	-	(385,697)	-
(341,886)	-	(341,886)	-
<u>(1,354,166)</u>	-	<u>(1,354,166)</u>	-
<u>(1,027)</u>	-	<u>(1,027)</u>	-
51,138	-	51,138	-
(206,154)	-	(206,154)	-
-	-	-	-
<u>(178,321)</u>	-	<u>(178,321)</u>	-
<u>(333,337)</u>	-	<u>(333,337)</u>	-
<u>(3,475,413)</u>	-	<u>(3,475,413)</u>	-
-	(16,265)	(16,265)	-
(3,475,413)	(16,265)	(3,491,678)	-
-	-	-	8,109
<u>(3,475,413)</u>	<u>(16,265)</u>	<u>(3,491,678)</u>	<u>8,109</u>
1,539,731	-	1,539,731	-
311,615	-	311,615	-
51,417	-	51,417	-
139,397	-	139,397	-
264,258	-	264,258	-
1,399,663	-	1,399,663	-
32,750	335	33,085	-
<u>19,802</u>	-	<u>19,802</u>	-
3,758,633	335	3,758,968	-
<u>(20,906)</u>	<u>20,906</u>	-	-
<u>3,737,727</u>	<u>21,241</u>	<u>3,758,968</u>	-
262,314	4,976	267,290	8,109
<u>2,599,272</u>	<u>7,217</u>	<u>2,606,489</u>	<u>5,004</u>
<u>2,861,586</u>	<u>12,193</u>	<u>2,873,779</u>	<u>13,113</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	756,622	48,982	-	267,714	1,073,318
Receivables:					
Property tax:					
Delinquent	21,307	-	4,608	1,498	27,413
Succeeding year	1,383,372	-	310,702	121,266	1,815,340
Accounts	29	-	-	-	29
Accrued interest	-	-	-	262	262
Interfund receivable	175,000	15,060	-	-	190,060
Due from other governments	213,944	53,632	-	-	267,576
Total assets	2,550,274	117,674	315,310	390,740	3,373,998
Liabilities and Fund Balances					
Liabilities:					
Warrants issued in excess of bank balance	-	5,833	-	-	5,833
Accounts payable	18,602	115,114	-	990	134,706
Salaries and benefits payable	369,356	-	-	-	369,356
Interfund payable	-	175,000	15,060	-	190,060
Deferred revenue:					
Succeeding year property tax	1,383,372	-	310,702	121,266	1,815,340
Other	139,397	-	-	-	139,397
Total liabilities	1,910,727	295,947	325,762	122,256	2,654,692
Fund balances:					
Reserved for:					
State categorical aid	7,377	-	-	-	7,377
Unreserved reported in:					
General fund	632,170	-	-	-	632,170
Special revenue funds	-	-	-	268,484	268,484
Capital projects funds	-	(178,273)	-	-	(178,273)
Debt service fund	-	-	(10,452)	-	(10,452)
Total fund balances	639,547	(178,273)	(10,452)	268,484	719,306
Total liabilities and fund balances	2,550,274	117,674	315,310	390,740	3,373,998

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	719,306
<i>Amounts reported for governmental activities in the Statement of Net Assets 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.	7,111,568
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	139,397
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(34,769)
Bond issue costs are expensed when incurred in the governmental fund financial statements, but for the government-wide financial statements they are capitalized and amortized over the life of the bonds.	130,042
Long-term liabilities, including bonds payable, unamortized bond premiums, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,203,958)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,861,586</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007

	General Fund	Capital Projects Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,610,186	264,258	311,615	101,352	2,287,411
Tuition	85,388	-	-	-	85,388
Other	80,146	13,631	-	130,936	224,713
State sources	1,894,963	-	190	61	1,895,214
Federal sources	266,770	37,507	-	-	304,277
Total revenues	<u>3,937,453</u>	<u>315,396</u>	<u>311,805</u>	<u>232,349</u>	<u>4,797,003</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,793,196	-	-	20,076	1,813,272
Special	339,058	-	-	-	339,058
Other	410,481	-	-	117,570	528,051
	<u>2,542,735</u>	<u>-</u>	<u>-</u>	<u>137,646</u>	<u>2,680,381</u>
Support services:					
Student	87,043	-	-	1,438	88,481
Instructional staff	173,837	-	-	616	174,453
Administration	364,500	5,833	-	3,484	373,817
Operation and maintenance of plant	339,328	-	-	45,505	384,833
Transportation	335,546	-	-	1,135	336,681
	<u>1,300,254</u>	<u>5,833</u>	<u>-</u>	<u>52,178</u>	<u>1,358,265</u>
Non-instructional programs	-	-	-	3,418	3,418
Other expenditures:					
Facilities acquisition	-	1,245,474	-	27,333	1,272,807
Long-term debt:					
Principal	-	-	200,000	-	200,000
Interest and fiscal charges	-	-	215,014	-	215,014
AEA flowthrough	149,311	-	-	-	149,311
	<u>149,311</u>	<u>1,245,474</u>	<u>415,014</u>	<u>27,333</u>	<u>1,837,132</u>
Total expenditures	<u>3,992,300</u>	<u>1,251,307</u>	<u>415,014</u>	<u>220,575</u>	<u>5,879,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,847)</u>	<u>(935,911)</u>	<u>(103,209)</u>	<u>11,774</u>	<u>(1,082,193)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	1,458	-	-	-	1,458
Sales of materials and equipment	1,031	-	-	-	1,031
Operating transfers in	-	-	102,605	-	102,605
Operating transfers out	(18,515)	(102,605)	-	-	(121,120)
Total other financing sources (uses)	<u>(16,026)</u>	<u>(102,605)</u>	<u>102,605</u>	<u>-</u>	<u>(16,026)</u>
Net change in fund balances	(70,873)	(1,038,516)	(604)	11,774	(1,098,219)
Fund balances beginning of year	710,420	860,243	(9,848)	256,710	1,817,525
Fund balances end of year	<u>639,547</u>	<u>(178,273)</u>	<u>(10,452)</u>	<u>268,484</u>	<u>719,306</u>

EASTERN ALLAMAKEE 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, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,098,219)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	1,338,524	
Depreciation expense	<u>(196,232)</u>	1,142,292
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		19,007
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 funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,333
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(818)	
Compensated absences	<u>(680)</u>	(1,498)
For governmental fund financial statements bond premiums are recorded as revenue when received, but for the Statement of Activities bond premiums are amortized over the life of the bonds.		
		7,527
For governmental fund financial statements bond issue costs are recorded as an expenditure when incurred, but for the Statement of Activities bond issue costs are capitalized and amortized over the life of the bonds.		
		(8,128)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		<u>200,000</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>262,314</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	218
Due from other governments	1,299
Inventories	2,000
Capital assets, net of accumulated depreciation	<u>23,145</u>
Total assets	<u>26,662</u>
Liabilities	
Salaries and benefits payable	12,726
Deferred revenue	<u>1,743</u>
Total liabilities	<u>14,469</u>
Net assets	
Invested in capital assets, net of related debt	23,145
Unrestricted	<u>(10,952)</u>
Total net assets	<u><u>12,193</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2007

	Nonmajor School Nutrition <u> </u> \$
Operating revenues:	
Local sources:	
Charges for service	<u>127,934</u>
Operating expenses:	
Non-instructional programs:	
Salaries	70,746
Benefits	43,897
Purchased services	1,835
Supplies	107,822
Depreciation	<u>5,089</u>
	<u>229,389</u>
Operating gain (loss)	<u>(101,455)</u>
Non-operating revenues:	
State sources	2,382
Federal sources	82,808
Interest income	<u>335</u>
Total non-operating revenues	<u>85,525</u>
Gain (loss) before transfers	(15,930)
Capital contributions	2,391
Transfers in	<u>18,515</u>
Change in net assets	4,976
Net assets beginning of year	<u>7,217</u>
Net assets end of year	<u><u>12,193</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	126,901
Cash payments to employees for services	(119,188)
Cash payments to suppliers for goods or services	(95,978)
Net cash used by operating activities	<u>(88,265)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	18,515
State grants received	2,382
Federal grants received	66,926
Net cash provided by non-capital financing activities	<u>87,823</u>
Cash flows from investing activities:	
Interest on investments	<u>335</u>
Net increase (decrease) in cash and cash equivalents	(107)
Cash and cash equivalents at beginning of year	<u>325</u>
Cash and cash equivalents at end of year	<u><u>218</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(101,455)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	14,583
Depreciation	5,089
Decrease (increase) in inventories	(892)
(Decrease) increase in accounts payable	(12)
(Decrease) increase in salaries and benefits payable	(4,545)
(Decrease) increase in deferred revenue	(1,033)
Net cash used in operating activities	<u><u>(88,265)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$14,583 of federal commodities.

During the year the School Nutrition Fund received \$2,391 of equipment that was purchased by other funds.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	12,712
Accrued interest receivable	<u>101</u>
Total Assets	12,813
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>12,813</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	625
Deductions	
Support services:	
Scholarships awarded	<u>1,000</u>
Change in net assets	(375)
Net assets beginning of year	<u>13,188</u>
Net assets end of year	<u><u>12,813</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Eastern Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Lansing and New Albin, Iowa and the predominately agricultural territory in a portion of Allamakee County. 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, Eastern Allamakee 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 KHS Booster Club is included in the financial statements as a discretely presented component unit.

The KHS Booster Club was established exclusively to benefit the activities of the Eastern Allamakee Community School District. The Booster Club's financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Booster Club's financial statements have not been audited.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 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 nonmajor governmental funds.

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 revenues 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 instruction, support and other costs.

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

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

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

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

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

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 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund 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 the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15-50 years
Improvements other than buildings	10-20 years
Furniture and equipment	5-25 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation days for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for used vacation days. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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, 2007, the District had an investment in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	<u>\$</u>
Diversified Portfolio	<u>16,303</u>

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Capital Projects Fund	175,000
Capital Projects Fund	Debt Service Fund	15,060

These loans were for cash flow purposes.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	102,605
Nonmajor School Nutrition Fund	General Fund	18,515

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	4,857,428	-	4,857,428	-
Land	7,167	-	-	7,167
Total capital assets not being deprec.	<u>4,864,595</u>	<u>-</u>	<u>4,857,428</u>	<u>7,167</u>
Capital assets being depreciated:				
Buildings	1,948,630	6,125,700	-	8,074,330
Improvements other than buildings	23,500	50	-	23,550
Furniture and equipment	200,196	70,202	-	270,398
Total capital assets being deprec.	<u>2,172,326</u>	<u>6,195,952</u>	<u>-</u>	<u>8,368,278</u>
Less accumulated depreciation for:				
Buildings	1,007,332	172,876	-	1,180,208
Improvements other than buildings	22,475	1,075	-	23,550
Furniture and equipment	37,838	22,281	-	60,119
Total accumulated depreciation	<u>1,067,645</u>	<u>196,232</u>	<u>-</u>	<u>1,263,877</u>
Total capital assets being depreciated, net	<u>1,104,681</u>	<u>5,999,720</u>	<u>-</u>	<u>7,104,401</u>
Governmental activities capital assets, net	<u>5,969,276</u>	<u>5,999,720</u>	<u>4,857,428</u>	<u>7,111,568</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	153,984	2,391	-	156,375
Less accumulated depreciation	<u>128,141</u>	<u>5,089</u>	<u>-</u>	<u>133,230</u>
Business type activities capital Assets, net	<u>25,843</u>	<u>(2,698)</u>	<u>-</u>	<u>23,145</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				5,561
Special				883
Support services:				
Administration				4,523
Operation and maintenance of plant services				1,139
Transportation				5,805
				<u>17,911</u>
Unallocated depreciation				<u>178,321</u>
Total depreciation expense – governmental activities				<u>196,232</u>
Business type activities:				
Food services				<u>5,089</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	5,225,000	-	200,000	5,025,000	210,000
Termination benefits	53,463	7,277	6,459	54,281	12,930
Compensated absences	3,567	680	-	4,247	4,247
Total	5,282,030	7,957	206,459	5,083,528	227,177

Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2007. To qualify the eligible employee's age plus years of service with the Eastern Allamakee Community School District must total 70. The application for early retirement was subject to approval by the Board of Education.

The retiree will be given $\frac{1}{4}$ year of benefits for each year of employment completed in the Eastern Allamakee Community School District.

The initial annual benefit was \$6,000 and will increase by 3% each year.

At June 30, 2007, the District has an obligation to two participants with a total liability of \$54,281. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$7,277.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.00	210,000	206,514	416,514
2009	4.00	215,000	198,114	413,114
2010	4.00	230,000	189,314	419,314
2011	4.00-4.10	235,000	180,114	415,114
2012	4.10-4.50	245,000	170,434	415,434
2013-2017	4.00-4.50	1,390,000	683,657	2,073,657
2018-2022	4.00-4.30	1,705,000	373,151	2,078,151
2023-2024	4.30-4.375	795,000	43,414	838,414
Total		5,025,000	2,044,712	7,069,712

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to

IPERS for the years ended June 30, 2007, 2006, and 2005 were \$120,203, \$121,239 and \$105,716 respectively, equal to the required contributions for each year.

8. Risk Management

Eastern Allamakee Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$149,311 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

The District entered into a contract to lease copy machines. The payments the District will make over the next two years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u> \$
2008	8,700
2009	7,975

11. Deficit Fund Balances

At June 30, 2007 the District had a deficit fund balances in the Capital Projects Fund of \$178,273 and the Debt Service Fund of \$10,452.

12. Lawsuits

At June 30, 2007 the District was involved in a lawsuit which is expected to be handled by the District's insurance.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,597,512	128,269	2,725,781	2,398,868	2,398,868	326,913
Intermediate sources	-	-	-	500	500	(500)
State sources	1,895,214	2,382	1,897,596	2,036,786	2,036,786	(139,190)
Federal sources	304,277	82,808	387,085	244,918	244,918	142,167
Total revenues	<u>4,797,003</u>	<u>213,459</u>	<u>5,010,462</u>	<u>4,681,072</u>	<u>4,681,072</u>	<u>329,390</u>
Expenditures:						
Instruction	2,680,381	-	2,680,381	2,565,077	3,040,044	359,663
Support services	1,358,265	-	1,358,265	1,458,691	1,458,691	100,426
Non-instructional programs	3,418	229,389	232,807	206,200	271,200	38,393
Other expenditures	1,837,132	-	1,837,132	1,488,902	2,288,902	451,770
Total expenditures	<u>5,879,196</u>	<u>229,389</u>	<u>6,108,585</u>	<u>5,718,870</u>	<u>7,058,837</u>	<u>950,252</u>
Excess (deficiency) of revenues over (under) expenditures	(1,082,193)	(15,930)	(1,098,123)	(1,037,798)	(2,377,765)	1,279,642
Other financing sources (uses) net	<u>(16,026)</u>	<u>20,906</u>	<u>4,880</u>	<u>-</u>	<u>-</u>	<u>4,880</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(1,098,219)	4,976	(1,093,243)	(1,037,798)	(2,377,765)	1,284,522
Balance beginning of year	<u>1,817,525</u>	<u>7,217</u>	<u>1,824,742</u>	<u>1,856,871</u>	<u>1,856,871</u>	<u>(32,129)</u>
Balance end of year	<u>719,306</u>	<u>12,193</u>	<u>731,499</u>	<u>819,073</u>	<u>(520,894)</u>	<u>1,252,393</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 Internal Service, 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 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 \$1,339,967.

OTHER SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				Total
	Management	Student	Physical	District	
	Levy	Activity	Plant and	Support	
		Equipment	Trust Funds		
	\$	\$	\$	\$	\$
Cash and pooled investments	111,083	32,954	90,075	33,602	267,714
Receivables:					
Property tax:					
Delinquent	738	-	760	-	1,498
Succeeding year	70,000	-	51,266	-	121,266
Accrued interest	-	-	-	262	262
Total assets	181,821	32,954	142,101	33,864	390,740
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	990	-	-	990
Deferred revenue:					
Succeeding year property tax	70,000	-	51,266	-	121,266
Total liabilities	70,000	990	51,266	-	122,256
Fund balances:					
Unreserved reported in:					
Special revenue funds	111,821	31,964	90,835	33,864	268,484
Total liabilities and fund balances	181,821	32,954	142,101	33,864	390,740

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	District	
	Levy	Activity	Plant and	Support	
	Fund	Equipment	Trust Funds		
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	49,935	-	51,417	-	101,352
Other	10,078	118,053	1,335	1,470	130,936
State sources	30	-	31	-	61
Total revenues	<u>60,043</u>	<u>118,053</u>	<u>52,783</u>	<u>1,470</u>	<u>232,349</u>
Expenditures:					
Current:					
Instruction:					
Regular	20,076	-	-	-	20,076
Other	-	112,662	4,908	-	117,570
Support services:					
Student	1,438	-	-	-	1,438
Instructional staff	616	-	-	-	616
Administration	3,484	-	-	-	3,484
Operation and maintenance					
of plant	43,954	-	1,551	-	45,505
Transportation	1,135	-	-	-	1,135
Non-instructional programs	1,027	-	2,391	-	3,418
Other expenditures:					
Facilities acquisition	-	-	27,333	-	27,333
Total expenditures	<u>71,730</u>	<u>112,662</u>	<u>36,183</u>	<u>-</u>	<u>220,575</u>
Net change in fund balances	(11,687)	5,391	16,600	1,470	11,774
Fund balances beginning of year	<u>123,508</u>	<u>26,573</u>	<u>74,235</u>	<u>32,394</u>	<u>256,710</u>
Fund balances end of year	<u><u>111,821</u></u>	<u><u>31,964</u></u>	<u><u>90,835</u></u>	<u><u>33,864</u></u>	<u><u>268,484</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
KHS					
Class of 2006	534	-	534	-	-
Class of 2007	4,467	21,645	26,112	-	-
Class of 2008	1,524	3,730	1,786	-	3,468
Class of 2009	700	604	-	-	1,304
Class of 2010	-	917	-	-	917
Art club	534	69	130	-	473
Annual	2,425	10,498	10,047	-	2,876
Baseball	-	1,561	-	-	1,561
Athletics	7,784	32,516	35,544	-	4,756
Cheerleaders	455	55	116	-	394
Band	292	5,194	4,585	-	901
Speech	100	982	1,178	96	-
Drama	1,204	1,740	1,837	-	1,107
Juice machine	2,853	7,536	5,882	(96)	4,411
Music parents	279	-	-	-	279
National Honor Society	597	1,012	937	-	672
Pep club	7	784	546	-	245
SADD	210	-	-	-	210
Spanish club	1,886	7,320	7,161	-	2,045
Student council	631	1,794	1,845	-	580
Talon newspaper	218	-	-	-	218
Weightlifting	-	860	408	-	452
Prom	957	3,549	3,132	-	1,374
Vocal music	2,133	7,530	7,856	-	1,807
LMS					
Athletics	412	1,403	2,835	1,020	-
Music	49	45	94	-	-
Student council	1,231	50	689	980	1,572
Concessions	679	-	369	-	310
Magazine sales	30	6,586	4,130	(2,000)	486
Audubon Ark Adventure	680	69	321	-	428
Cheerleaders	108	-	-	-	108
Beginning accruals	(6,406)	-	(6,406)	-	-
Ending accruals	-	4	994	-	(990)
Total	26,573	118,053	112,662	-	31,964

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,287,411	2,110,102	1,883,323	1,786,569
Tuition	85,388	56,451	36,030	30,613
Other	224,713	360,521	336,031	229,960
Intermediate sources	-	350	1,820	-
State sources	1,895,214	1,925,835	1,782,395	1,615,572
Federal sources	304,277	269,100	194,916	135,862
Total revenues	<u>4,797,003</u>	<u>4,722,359</u>	<u>4,234,515</u>	<u>3,798,576</u>
Expenditures:				
Instruction:				
Regular	1,813,272	1,781,150	1,491,721	1,707,671
Special	339,058	307,871	356,590	437,691
Other	528,051	432,610	489,739	379,177
Support services:				
Student	88,481	88,435	82,832	102,811
Instructional staff	174,453	266,487	155,797	69,352
Administration	373,817	410,312	422,530	343,133
Operation and maintenance of plant	384,833	357,797	320,418	288,364
Transportation	336,681	365,943	343,822	293,306
Central support				
Non-instructional programs	3,418	1,131	783	1,280
Other expenditures:				
Facilities acquisition	1,272,807	4,704,442	589,262	264,333
Long-term debt:				
Principal	200,000	95,000	-	-
Interest and other charges	215,014	312,667	-	-
AEA flowthrough	149,311	146,395	144,861	146,843
Total expenditures	<u>5,879,196</u>	<u>9,270,240</u>	<u>4,398,355</u>	<u>4,033,961</u>

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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
Eastern Allamakee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 12, 2008. We did not issue an opinion on the KHS Booster Club, which is included as a discretely presented component unit, because we were not engaged to, and we did not audit the Booster Club. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eastern Allamakee Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Eastern Allamakee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eastern Allamakee Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Eastern Allamakee Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Eastern Allamakee Community School District's financial statements that is more than inconsequential will not be prevented or detected by Eastern Allamakee Community School District's internal control.

We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Eastern Allamakee Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Eastern Allamakee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Eastern Allamakee Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eastern Allamakee Community School District and other parties to whom Eastern Allamakee Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eastern Allamakee 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 12, 2008

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: 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.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Martin Brennan, Board President Brennan Construction company	Rental for fuel storage	270

The transaction does not appear to represent a conflict of interest since the amount was less than \$2,500 as allowed by the Code of Iowa.

07-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

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

07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

07-II-J Deficit Balances: The District has a \$178,273 deficit fund balance in the Capital Projects Fund and a \$10,452 deficit in the Debt Service Fund at June 30, 2007.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

District Response: The deficits will be covered by future property tax and sales tax collections.

Conclusion: Response accepted.