

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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Independent Auditor's Report

To the Board of Education of
East Buchanan 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 East Buchanan Community School District, Winthrop, Iowa, as of and for the year ended June 30, 2008, 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.

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.

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 East Buchanan Community School District at June 30, 2008, 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 March 3, 2009, on our consideration of East Buchanan Community School District's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 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 East Buchanan 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, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. 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

March 3, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Buchanan 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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 Financial Highlights

- General Fund revenues increased from \$4,748,977 in fiscal 2007 to \$5,095,041 in fiscal 2008, and General Fund expenditures also increased from \$4,812,978 in fiscal 2007 to \$4,954,443 in fiscal 2008. The District's General Fund balance increased from \$896,286 in fiscal 2007 to \$1,041,279 in fiscal 2008. This was a 16% increase in fund balance from fiscal 2007 to fiscal 2008.
- The increase in General Fund revenues in was attributable to an increase in local and state revenue in fiscal 2008.
- The increase in expenditures was due primarily to an increase in the cost of instruction in fiscal 2008.
- The negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2008. As a measure to stop the erosion of fund balance, the district combined the positions of superintendent and elementary principal. This move reduced the administrative staff from 3 to 2 beginning with fiscal 2008. Administrative costs decreased from \$628,237 in fiscal 2007 to \$486,080 in fiscal 2008. This was a 22% decrease in administrative costs from fiscal 2007 to fiscal 2008 and helped to increase the General Fund balance regardless of the negotiated salary and benefit settlement increase.

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 Assets and a Statement of Activities. These provide information about the activities of the East Buchanan 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 for the East Buchanan 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 the East Buchanan Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

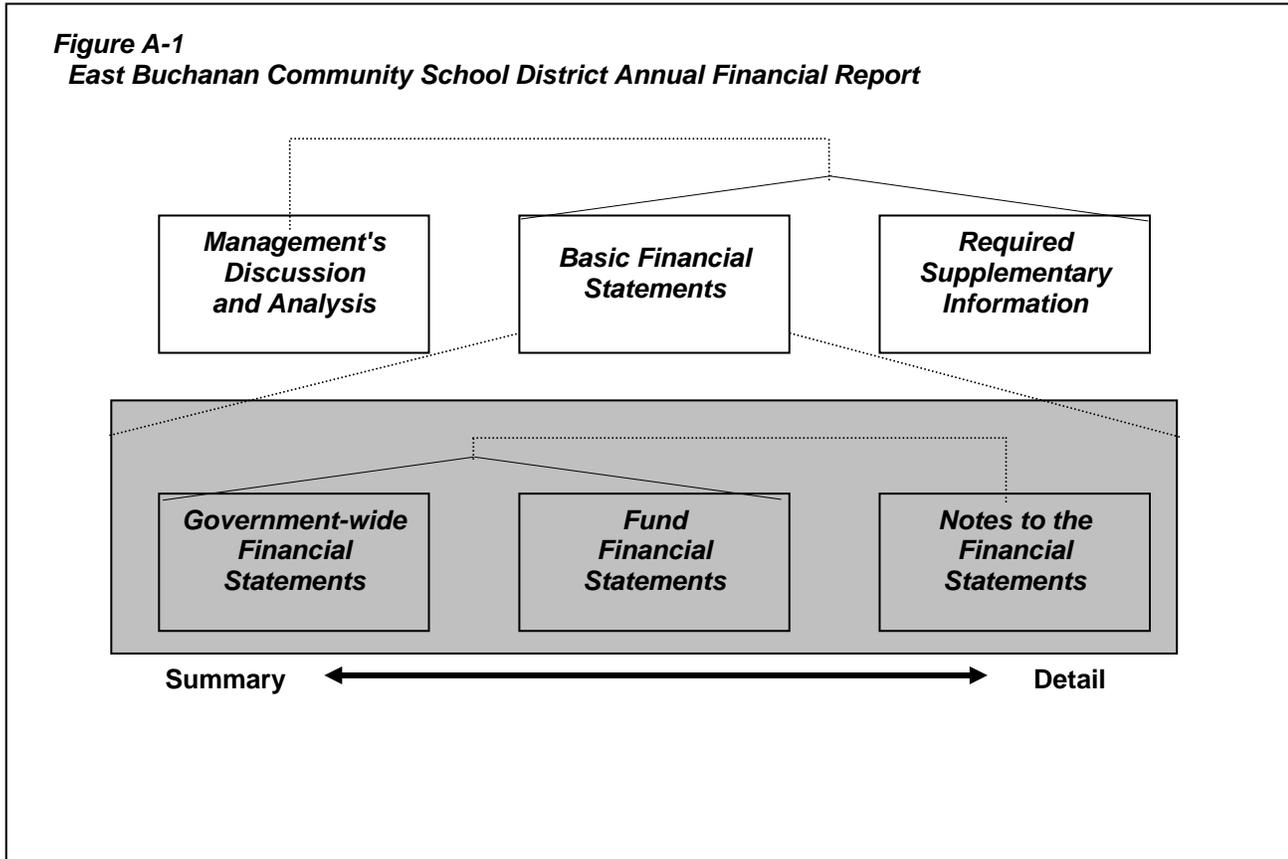


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • 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 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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 financial 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 financial position. Over time, increases or decreases in the District’s net assets are 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 two 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, Special Revenue Funds, Debt Service Fund and Capital Projects 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.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2007-2008
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,067,878	5,390,883	113,416	103,153	6,181,294	5,494,036	13%
Capital assets	3,135,300	3,256,692	14,545	16,652	3,149,845	3,273,344	-4%
Total assets	9,203,178	8,647,575	127,961	119,805	9,331,139	8,767,380	6%
Long-term liabilities	466,108	535,299	-	-	466,108	535,299	-13%
Other liabilities	3,161,532	3,050,605	20,288	18,484	3,181,820	3,069,089	4%
Total liabilities	3,627,640	3,565,904	20,288	18,484	3,647,928	3,584,388	2%
Net Assets:							
Invested in capital assets, net of related debt	3,028,246	3,087,793	14,545	16,652	3,042,791	3,104,445	2%
Restricted	1,415,834	1,100,964	-	-	1,415,834	1,100,964	29%
Unrestricted	1,131,458	892,914	93,128	84,669	1,224,586	977,583	25%
TOTAL NET ASSETS	5,575,538	5,081,671	107,673	101,321	5,683,211	5,182,992	10%

The District's combined net assets increased by nearly 10%, or approximately \$500,219, over the prior year. The largest portion of the District's net assets is the 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 sources other than capital assets.

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 increased approximately \$314,870 over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund as well as the Physical Plant and Equipment Fund.

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 – increased approximately \$247,003, or 25%. The increase was primarily a result of decreased expenditures in the Capital Projects Fund as well as the Physical Plant and Equipment Fund.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2007
	Governmental Activities		Business-type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	532,390	545,753	149,954	153,685	682,344	699,438	-2%
Operating grants & contributions	660,379	573,968	104,575	99,574	764,954	673,542	14%
Capital grants & contributions	-	35,432	-	-	-	35,432	-100%
General Revenues:							
Property taxes	1,922,619	1,712,543	-	-	1,922,619	1,712,543	12%
Income Surtax	253,371	219,179	-	-	253,371	219,179	16%
Local option sales tax	320,903	333,929	-	-	320,903	333,929	-4%
Unrestricted state grants	2,260,983	2,202,443	-	-	2,260,983	2,202,443	3%
Unrestricted investment earnings	85,167	77,190	1,997	1,653	87,164	78,843	11%
Other revenue (loss)	10,552	-3,643	-	-	10,552	-3,643	390%
Total Revenues	6,046,364	5,696,794	256,526	254,912	6,302,890	5,951,706	6%

Expenses:							
Instruction	3,655,034	3,439,248	-	-	3,655,034	3,439,248	6%
Support services	1,489,200	1,600,068	-	-	1,489,200	1,600,068	-7%
Non-instructional programs	-	-	250,174	223,256	250,174	223,256	12%
Other expenditures	369,522	406,175	-	-	369,522	406,175	-9%
Total expenses	5,513,756	5,445,491	250,174	223,256	5,763,930	5,668,747	2%
Change in net assets before Transfers							
	532,608	251,303	6,352	31,656	538,960	282,959	90%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	532,608	251,303	6,352	31,656	538,960	282,959	90%
Net assets beginning of year	5,042,930	4,830,368	101,321	69,665	5,144,251	4,900,033	5%
Net assets end of year	5,575,538	5,081,671	107,673	101,321	5,683,211	5,182,992	10%

Property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,046,364 and expenses were \$5,513,756. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
	\$	\$	\$	\$
Instruction	3,655,034	3,439,248	2,763,754	2,568,494
Support Services	1,489,200	1,600,068	1,397,339	1,518,082
Non-instructional Programs	-	-	-	-
Other Expenses	369,522	406,175	159,894	203,762
TOTAL	5,513,756	5,445,491	4,320,987	4,290,338

- The cost financed by users of the District's programs was \$532,390.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$660,379.
- The net cost of governmental activities was financed with \$2,496,893 in property and other taxes and \$2,260,983 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$256,526 and expenses were \$250,174. 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 and investment income.

During the year ended June 30, 2008, the District did increase meal prices and the District was able to show an increase in the Nutrition Fund balance.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Buchanan 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 a combined fund balance of \$2,686,302 compared to last year's ending fund balances of \$2,143,299.

Governmental Fund Highlights

The District's Governmental Fund combined fund balance increased in fiscal year 2008 from the previous year. A closer look at each individual Governmental Fund reveals the following:

General Fund

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$896,286 to \$1,041,279 for a difference of \$144,993. The combination of superintendent and elementary principal positions provided a savings to the District.
- Since the State no longer provides technology funding, technology equipment will continue to be funded with General Fund monies. Continual replacement of classroom and lab computers on a rotating basis is necessary to run new software versions.
- Renewal of the Instructional Support Levy beginning July 1, 2006 for five years was extended to maintain General Fund balance solvency. The majority funding of the Instructional Support Levy is from an income surtax and the continuation of the Instructional Support Levy is very dependent upon the prosperity of District patrons.

Management Fund

- The Management Fund balance increased \$83,049 in fiscal year 2008 from fiscal year 2007. The increase in the Management Fund balance was partially the result of former certified employees that were taking advantage of the district's early retirement policy who reached age 65 and were therefore no longer eligible to participate. Costs continue to escalate for the district's Workman's Compensation and liability insurance coverage.

Physical Plant and Equipment Levy Fund

- The Physical Plant and Equipment Levy Fund balance increased \$86,337 in fiscal year 2008 from fiscal year 2007.
- Voted Physical Plant and Equipment Levy monies were used for the third payment on a capital loan note used for the purpose of lighting the fields in the district's sports complex.
- Monies from the Physical Plant and Equipment Levy were used in fiscal year 2008 to purchase a new floor scrubber and for roof repairs.

- In fiscal year 2006 the Board of Education decreased the amount of Voted Physical Plant and Equipment Levy from \$1.37 per \$1,000 of assessed valuation to \$1.00 per \$1,000 of assessed valuation. The district will keep an eye on the fund balance in the Physical Plant and Equipment Levy and certify ensuing fiscal year budgets accordingly.

Capital Projects Fund

- The Capital Projects Fund balance increased \$240,144 during fiscal year 2008. A contributing factor for the increase in fund balance was the fifth year the district received monies for the Local Option Sales Tax approved in fiscal 2003. With no building project in progress the monies were allowed to accumulate for future projects. The Local Option Sales Tax has been renamed to The State Penny Sales Tax and will remain until 2029 in the East Buchanan Community School District.
- Monies from the Capital Projects Fund were expended for the renovation of elementary and middle school restrooms, and the purchase of a school van.
- The District plans to pursue replacing the current 1915 elementary building with a new K-3 addition to the existing facility during fiscal year 2009. Monies from the State Penny Sales Tax will be used to fund the cost of the new facility.

“Other” Governmental Funds

- The “Other” Governmental Funds balance (Activity Fund and Debt Service Fund), has decreased over the previous fiscal year by \$11,520 in the Activity Fund. The district has no bonded indebtedness and therefore no long-term debt liability.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$101,321 at June 30, 2007 to \$107,673 at June 30, 2008, representing an increase of approximately 6%. This change resulted in an increase in revenue and net assets. Continued vigilance of the program’s aging equipment is becoming increasingly important and it may be necessary to replace out-dated equipment in the near future.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Buchanan Community School District did not amend its annual budget.

The District’s receipts were \$47,938 less than budgeted receipts.

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.

The district’s certified budget was not exceeded during fiscal 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested approximately \$3.15 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$194,358.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2007
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Land	48,355	48,355	-	-	48,355	48,355	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	2,639,165	2,696,780	-	-	2,639,165	2,696,780	-2%
Improvements	242,938	258,359	-	-	242,938	258,359	-6%
Equipment & Furniture	204,842	253,198	14,545	16,652	219,387	269,850	19%
TOTAL	3,135,300	3,256,692	14,545	16,652	3,149,845	3,273,344	-4%

Long-Term Debt

At June 30, 2008, the District had \$466,108 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2008-2007
	2008	2007	
	\$	\$	
Capital Loan Notes	84,072	124,009	-32%
Capital Leases	22,982	44,890	-49%
Early Retirement	328,758	366,400	-10%
Compensated Absences	30,296	-	100%
	466,108	535,299	-13%

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:

- With salaries and benefits making up the majority of General Fund expenditures, settlements with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.

- School financing is highly dependent upon student enrollment. The District's September 2007 enrollment decreased by 4.5 students, .79% to 565.8.
- The District has experienced declining enrollment for the past six years and hopefully housing developments within the district will reverse the trend in the near future.
- The District has a three-year rotation of lease/purchase for transportation vehicles. The lease/purchase cost will be realized each fiscal year with resources from the Physical Plant and Equipment Levy Fund.
- Textbook fees will be raised by the District for the 2007-2008 fiscal year in an attempt to help stem the erosion of the general fund balance.
- The District reduced the number of administrators for the 2007-2008 fiscal year by 1 FTE. This was accomplished by combining the positions of Elementary Principal and Superintendent. This move should also help to stem the erosion of the general fund balance as it will be an on-going savings each year.
- One certified employees opted to accept the District's Early Retirement policy at the end of fiscal year 2008 which will allow for his replacement at a much lower salary.
- The District continues to discuss the use of the State Penny Sales Tax to replace the aging 1915 elementary building within the next few years. Initial contact has been made with Struxture Architects to draw up the plans for consideration.
- The district will monitor the national, state, and local economy to determine the most prudent use of funds being provided to the East Buchanan Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Moroney, Business Manager, East Buchanan Community School District, 414 5th Street North Winthrop, Iowa 50682.

BASIC FINANCIAL STATEMENTS

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	738,846	-	738,846
Other	2,918,915	110,550	3,029,465
Receivables:			
Property tax:			
Delinquent	25,193	-	25,193
Succeeding year	1,962,980	-	1,962,980
Accounts	724	428	1,152
Accrued interest:			
ISCAP	3,615	-	3,615
Due from other governments	417,605	-	417,605
Inventories	-	2,438	2,438
Capital assets, net of accumulated depreciation	3,135,300	14,545	3,149,845
Total assets	9,203,178	127,961	9,331,139
Liabilities			
Accounts payable	17,907	-	17,907
Salaries and benefits payable	431,646	17,310	448,956
Accrued interest payable	1,184	-	1,184
Deferred revenue:			
Succeeding year property tax	1,962,980	-	1,962,980
Other	-	2,978	2,978
ISCAP warrants payable	734,000	-	734,000
ISCAP accrued interest payable	3,940	-	3,940
ISCAP premium	9,875	-	9,875
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	41,131	-	41,131
Capital leases	22,982	-	22,982
Termination benefits	75,845	-	75,845
Compensated absences	5,049	-	5,049
Portion due after one year:			
Capital loan notes	42,941	-	42,941
Termination benefits	252,913	-	252,913
Compensated absences	25,247	-	25,247
Total liabilities	3,627,640	20,288	3,647,928

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,028,246	14,545	3,042,791
Restricted for:			
State categorical aid	3,800	-	3,800
Physical plant and equipment levy	333,512	-	333,512
Other special revenue purposes	70,511	-	70,511
Local option sales tax capital projects	1,008,011	-	1,008,011
Unrestricted	<u>1,131,458</u>	<u>93,128</u>	<u>1,224,586</u>
Total net assets	<u><u>5,575,538</u></u>	<u><u>107,673</u></u>	<u><u>5,683,211</u></u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,378,301	241,779	352,434	-
Special	772,330	-	29,001	-
Other	504,403	200,882	67,184	-
	<u>3,655,034</u>	<u>442,661</u>	<u>448,619</u>	<u>-</u>
Support services:				
Student	92,170	4,380	-	-
Instructional staff	157,946	-	-	-
Administration	540,725	38,544	-	-
Operation and maintenance of plant	385,451	-	-	-
Transportation	312,908	46,805	2,132	-
	<u>1,489,200</u>	<u>89,729</u>	<u>2,132</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	49,833	-	15,000	-
Long-term debt interest	6,721	-	-	-
AEA flowthrough	194,628	-	194,628	-
Depreciation (unallocated)*	118,340	-	-	-
	<u>369,522</u>	<u>-</u>	<u>209,628</u>	<u>-</u>
Total governmental activities	5,513,756	532,390	660,379	-
Business type activities:				
Non-instructional programs:				
Food service operations	250,174	149,954	104,575	-
Total	<u>5,763,930</u>	<u>682,344</u>	<u>764,954</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other (loss)				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net
Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,784,088)	-	(1,784,088)
(743,329)	-	(743,329)
(236,337)	-	(236,337)
<u>(2,763,754)</u>	<u>-</u>	<u>(2,763,754)</u>
(87,790)	-	(87,790)
(157,946)	-	(157,946)
(502,181)	-	(502,181)
(385,451)	-	(385,451)
(263,971)	-	(263,971)
<u>(1,397,339)</u>	<u>-</u>	<u>(1,397,339)</u>
(34,833)	-	(34,833)
(6,721)	-	(6,721)
-	-	-
<u>(118,340)</u>	<u>-</u>	<u>(118,340)</u>
<u>(159,894)</u>	<u>-</u>	<u>(159,894)</u>
(4,320,987)	-	(4,320,987)
-	4,355	4,355
<u>(4,320,987)</u>	<u>4,355</u>	<u>(4,316,632)</u>
1,776,519	-	1,776,519
146,100	-	146,100
253,371	-	253,371
320,903	-	320,903
2,260,983	-	2,260,983
85,167	1,997	87,164
10,552	-	10,552
<u>4,853,595</u>	<u>1,997</u>	<u>4,855,592</u>
532,608	6,352	538,960
<u>5,042,930</u>	<u>101,321</u>	<u>5,144,251</u>
<u>5,575,538</u>	<u>107,673</u>	<u>5,683,211</u>

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects- Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	738,846	-	-	738,846
Other	1,354,007	933,318	631,590	2,918,915
Receivables:				
Property tax:				
Delinquent	20,169	-	5,024	25,193
Succeeding year	1,572,225	-	390,755	1,962,980
Accounts	326	-	398	724
Accrued interest - ISCAP	3,615	-	-	3,615
Due from other governments	342,912	74,693	-	417,605
Total assets	4,032,100	1,008,011	1,027,767	6,067,878
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	17,907	-	-	17,907
Salaries and benefits payable	431,646	-	-	431,646
ISCAP warrants payable	734,000	-	-	734,000
ISCAP accrued interest payable	3,940	-	-	3,940
ISCAP premium	9,875	-	-	9,875
Deferred revenue:				
Succeeding year property tax	1,572,225	-	390,755	1,962,980
Other	221,228	-	-	221,228
Total liabilities	2,990,821	-	390,755	3,381,576
Fund balances:				
Reserved for:				
State Categorical Aid	3,800	-	-	3,800
Unreserved, undesignated reported in:				
General fund	187,479	-	-	187,479
Special revenue funds	-	-	637,012	637,012
Capital projects funds	-	1,008,011	-	1,008,011
Unreserved, designated	850,000	-	-	850,000
Total fund balances	1,041,279	1,008,011	637,012	2,686,302
Total liabilities and fund balances	4,032,100	1,008,011	1,027,767	6,067,878

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	2,686,302
<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.	3,135,300
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	221,228
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.	(1,184)
Long-term liabilities, including capital loan notes, capital leases, 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>(466,108)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,575,538</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects- Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,787,784	320,903	386,157	2,494,844
Tuition	182,822	-	-	182,822
Other	218,331	16,307	221,254	455,892
State sources	2,747,474	-	258	2,747,732
Federal sources	158,630	-	-	158,630
Total revenues	<u>5,095,041</u>	<u>337,210</u>	<u>607,669</u>	<u>6,039,920</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,352,461	-	76,166	2,428,627
Special	772,330	-	-	772,330
Other	295,378	-	209,025	504,403
	<u>3,420,169</u>	<u>-</u>	<u>285,191</u>	<u>3,705,360</u>
Support services:				
Student	92,170	-	-	92,170
Instructional staff	135,920	-	22,026	157,946
Administration	486,080	-	24,349	510,429
Operation and maintenance of plant	355,150	-	27,704	382,854
Transportation	270,326	16,800	14,551	301,677
	<u>1,339,646</u>	<u>16,800</u>	<u>88,630</u>	<u>1,445,076</u>
Other expenditures:				
Facilities acquisition	-	80,266	6,400	86,666
Long-term debt:				
Principal	-	-	61,845	61,845
Interest and fiscal charges	-	-	7,737	7,737
AEA flowthrough	194,628	-	-	194,628
	<u>194,628</u>	<u>80,266</u>	<u>75,982</u>	<u>350,876</u>
Total expenditures	<u>4,954,443</u>	<u>97,066</u>	<u>449,803</u>	<u>5,501,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>140,598</u>	<u>240,144</u>	<u>157,866</u>	<u>538,608</u>
Other financing sources (uses):				
Sales of materials and equipment	4,395	-	-	4,395
Operating transfers in	-	-	69,582	69,582
Operating transfers out	-	-	(69,582)	(69,582)
Total other financing sources (uses)	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>4,395</u>
Net change in fund balances	144,993	240,144	157,866	543,003
Fund balances beginning of year	<u>896,286</u>	<u>767,867</u>	<u>479,146</u>	<u>2,143,299</u>
Fund balances end of year	<u>1,041,279</u>	<u>1,008,011</u>	<u>637,012</u>	<u>2,686,302</u>

See notes to financial statements.

EAST BUCHANAN 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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		543,003
<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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	110,666	
Depreciation expense	<u>(193,317)</u>	(82,651)
Income surtaxes 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.		2,049
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.		61,845
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.		1,016
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	\$ 37,642	
Compensated absences	<u>(30,296)</u>	<u>7,346</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>532,608</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	110,550
Accounts receivable	428
Inventories	2,438
Capital assets, net of accumulated depreciation	<u>14,545</u>
Total assets	<u>127,961</u>
Liabilities	
Salaries and benefits payable	17,310
Deferred revenue	<u>2,978</u>
Total liabilities	<u>20,288</u>
Net assets	
Invested in capital assets, net of related debt	14,545
Unrestricted	<u>93,128</u>
Total net assets	<u><u>107,673</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund
Net Assets
Proprietary Funds

Year ended June 30, 2008

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>149,954</u>
Operating expenses:	
Non-instructional programs:	
Salaries	86,601
Benefits	23,775
Supplies	134,335
Depreciation	3,149
Other	2,314
Total operating expenses	<u>250,174</u>
Operating gain (loss)	<u>(100,220)</u>
Non-operating revenues:	
State sources	3,147
Federal sources	101,428
Interest income	1,997
Total non-operating revenues	<u>106,572</u>
Change in net assets	6,352
Net assets beginning of year	<u>101,321</u>
Net assets end of year	<u><u>107,673</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	152,521
Cash payments to employees for services	(109,139)
Cash payments to suppliers for goods or services	(119,784)
Net cash used by operating activities	<u>(76,402)</u>
Cash flows from non-capital financing activities:	
State grants received	3,147
Federal grants received	84,842
Net cash provided by non-capital financing activities	<u>87,989</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(1,041)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,998</u>
Net increase (decrease) in cash and cash equivalents	12,544
Cash and cash equivalents at beginning of year	<u>98,006</u>
Cash and cash equivalents at end of year	<u><u>110,550</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(100,220)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	16,586
Depreciation	3,148
Decrease (increase) in inventories	762
Decrease (increase) in accounts receivable	1,519
(Decrease) increase in accounts payable	(482)
(Decrease) increase in salaries and benefits payable	1,237
(Decrease) increase in deferred revenue	1,048
Net cash used by operating activities	<u><u>(76,402)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$16,586 of federal commodities.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

East Buchanan 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 Winthrop, Aurora and Quasquerton, Iowa and the predominately agricultural territory in a portion of Buchanan 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, East Buchanan 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 East Buchanan Community School District has no component units that 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 does 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 County Assessor's Conference Board.

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 attributable 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 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.

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.

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

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

D. Assets, Liabilities and Fund 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007, through June 30, 2008, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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	30-45 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of 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 and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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. The board of directors has designated \$950,000 of the General Fund unreserved fund balance for cash flow.

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, 2008 expenditures did not exceed the budget.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds Debt Service Fund	Nonmajor Governmental Funds Physical Plant and Equipment Levy Fund	69,582

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2007-08B	01/23/08	01/23/09	230,738	3,422	230,000	3,747
2008-09A	06/26/08	06/25/09	508,108	193	504,000	193
			<u>738,846</u>	<u>3,615</u>	<u>734,000</u>	<u>3,940</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
\$	\$	\$	\$
-	150,000	150,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2007-08B	3.750	3.451
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,355	-	-	48,355
Capital assets being depreciated:				
Buildings	3,890,754	36,833	-	3,927,587
Improvements other than buildings	364,892	-	-	364,892
Furniture and equipment	1,053,003	73,833	38,612	1,088,224
Total capital assets being deprec.	<u>5,308,649</u>	<u>110,666</u>	<u>38,612</u>	<u>5,380,703</u>
Less accumulated depreciation for:				
Buildings	1,193,974	94,448	-	1,288,422
Improvements other than buildings	106,533	15,421	-	121,954
Furniture and equipment	838,546	83,448	38,612	883,382
Total accumulated depreciation	<u>2,139,053</u>	<u>193,317</u>	<u>38,612</u>	<u>2,293,758</u>
Total capital assets being depreciated, net	<u>3,169,596</u>	<u>(82,651)</u>	-	<u>3,086,945</u>
Governmental activities capital assets, net	<u>3,217,951</u>	<u>(82,651)</u>	-	<u>3,135,300</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	56,284	1,041	3,280	54,045
Less accumulated depreciation	<u>39,632</u>	<u>3,148</u>	<u>3,280</u>	<u>39,500</u>
Business type activities capital assets, net	<u>16,652</u>	<u>(2,107)</u>	-	<u>14,545</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				44,349
Support services:				
Operation and maintenance of plant services				2,597
Transportation				28,031
				<u>74,977</u>
Unallocated depreciation				<u>118,340</u>
Total depreciation expense – governmental activities				<u>193,317</u>
Business type activities:				
Food services				<u>1,041</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Capital leases	44,890	-	21,908	22,982	22,982
Capital loan notes	124,009	-	39,937	84,072	41,131
Termination benefits	366,400	54,480	92,122	328,758	75,845
Compensated absences	-	30,296	-	30,296	5,049
Total	535,299	84,776	153,967	466,108	145,007

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2008, the District has obligations to thirteen participants with a total liability of \$328,758. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$92,122.

Capital Loan Notes

The District issued \$206,200 of capital loan notes during the year ended June 30, 2006. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	5.0	41,131	4,343	45,474
2010	5.0	42,941	2,533	45,474
		<u>84,072</u>	<u>6,876</u>	<u>90,948</u>

During the year ended June 30, 2008 the District made principal and interest payments totaling \$45,474 under the note agreements.

Capital Leases

The District's capital lease indebtedness and related schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2008 are as follows:

	Year Ending June 30,	Amount
		\$
	2009	24,107
Minimum Lease Payments		24,107
Less Amount Representing Interest		1,125
Present Value of Minimum Lease Payments		<u>22,982</u>

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$151,230, \$145,311 and \$137,304 respectively, equal to the required contributions for each year.

8. Risk Management

East Buchanan 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 \$194,628 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Beginning Balance

The beginning balance for the statement of net assets was decreased by \$38,742 to adjust for corrections to the equipment costs in the capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BUCHANAN 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, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,133,558	151,951	3,285,509	3,268,048	3,268,048	17,461
State sources	2,747,732	3,147	2,750,879	2,809,336	2,809,336	(58,457)
Federal sources	158,630	101,428	260,058	267,000	267,000	(6,942)
Total revenues	<u>6,039,920</u>	<u>256,526</u>	<u>6,296,446</u>	<u>6,344,384</u>	<u>6,344,384</u>	<u>(47,938)</u>
Expenditures/Expenses:						
Instruction	3,705,360	-	3,705,360	3,846,800	3,846,800	141,440
Support services	1,445,076	-	1,445,076	1,778,924	1,778,924	333,848
Non-instructional programs	-	250,174	250,174	310,000	310,000	59,826
Other expenditures	350,876	-	350,876	593,395	593,395	242,519
Total expenditures/expenses	<u>5,501,312</u>	<u>250,174</u>	<u>5,751,486</u>	<u>6,529,119</u>	<u>6,529,119</u>	<u>777,633</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	538,608	6,352	544,960	(184,735)	(184,735)	729,695
Other financing sources (uses) net	<u>4,395</u>	<u>-</u>	<u>4,395</u>	<u>-</u>	<u>-</u>	<u>4,395</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expense	543,003	6,352	549,355	(184,735)	(184,735)	734,090
Balance beginning of year	<u>2,143,299</u>	<u>101,321</u>	<u>2,244,620</u>	<u>2,090,717</u>	<u>2,090,717</u>	<u>153,903</u>
Balance end of year	<u><u>2,686,302</u></u>	<u><u>107,673</u></u>	<u><u>2,793,975</u></u>	<u><u>1,905,982</u></u>	<u><u>1,905,982</u></u>	<u><u>887,993</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 a GAPP 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. The District did not amend its budget during the year.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity Fund	Plant and Equipment Levy	
	\$	\$	\$	\$
Cash and pooled investments	229,440	70,511	331,639	631,590
Receivables:				
Property tax:				
Delinquent	3,151	-	1,873	5,024
Succeeding year	200,000	-	190,755	390,755
Accounts	398	-	-	398
Total assets	432,989	70,511	524,267	1,027,767
Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	200,000	-	190,755	390,755
Fund balances:				
Unreserved reported in:				
Special revenue funds	232,989	70,511	333,512	637,012
Total liabilities and fund balances	432,989	70,511	524,267	1,027,767

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt Service	
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	240,057	-	146,100	-	386,157
Other	2,877	197,505	20,872	-	221,254
State sources	161	-	97	-	258
Total revenues	<u>243,095</u>	<u>197,505</u>	<u>167,069</u>	<u>-</u>	<u>607,669</u>
Expenditures:					
Current:					
Instruction:					
Regular	76,166	-	-	-	76,166
Other	-	209,025	-	-	209,025
Support services:					
Instructional staff	22,026	-	-	-	22,026
Administration	24,349	-	-	-	24,349
Operation and maintenance of plant	22,954	-	4,750	-	27,704
Transportation	14,551	-	-	-	14,551
Other expenditures:					
Facilities acquisition	-	-	6,400	-	6,400
Long-term debt:					
Principal	-	-	-	61,845	61,845
Interest and fiscal charges	-	-	-	7,737	7,737
Total expenditures	<u>160,046</u>	<u>209,025</u>	<u>11,150</u>	<u>69,582</u>	<u>449,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,049</u>	<u>(11,520)</u>	<u>155,919</u>	<u>(69,582)</u>	<u>157,866</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	69,582	69,582
Operating transfers out	-	-	(69,582)	-	(69,582)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(69,582)</u>	<u>69,582</u>	<u>-</u>
Net change in fund balances	83,049	(11,520)	86,337	-	157,866
Fund balances beginning of year	<u>149,940</u>	<u>82,031</u>	<u>247,175</u>	<u>-</u>	<u>479,146</u>
Fund balances end of year	<u><u>232,989</u></u>	<u><u>70,511</u></u>	<u><u>333,512</u></u>	<u><u>-</u></u>	<u><u>637,012</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<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>
	\$	\$	\$	\$	\$
Athletics	18,895	42,907	48,375	120	13,547
Annual	2,963	8,335	4,510	(255)	6,533
Buccaneer club	960	418	-	-	1,378
Drama/speech	1,491	3,016	2,753	(300)	1,454
FBLA	-	10,947	10,263	-	684
Feed store	461	563	886	-	138
Fitness club	517	261	261	869	1,386
Shop club	68	78	80	-	66
Library club	901	4,066	3,966	200	1,201
Marketing	26	-	-	-	26
Music	2,776	3,349	6,000	100	225
Newspaper	1,396	505	1,130	255	1,026
Pep band	40	1,503	1,478	-	65
Color guard	117	418	-	-	535
Physics club	326	-	-	-	326
Spanish club	940	1,336	1,218	-	1,058
Speech	187	199	184	-	202
Elementary student council	3,740	5,681	6,937	(60)	2,424
Camp Wapsie Y	3,748	1,895	2,186	-	3,457
Softball fund raiser	7,249	11,298	12,307	(1,511)	4,729
Volleyball fund raiser	482	5,006	4,588	-	900
Girls basketball fund raiser	264	1,554	1,701	150	267
Girls track fund raiser	44	863	871	-	36
Boys basketball fund raiser	5,406	1,844	5,898	150	1,502
MS girls BB	26	671	668	36	65
Golf	645	1,753	2,179	-	219
Trapshooting fund raiser	12	200	200	-	12
Wrestling fund raiser	1,440	4,147	4,389	-	1,198
MS boys baseball	4,316	3,329	1,986	1,356	7,015
Football fund raiser	264	3,766	3,760	-	270
Music trip fund raiser	11,005	36,238	41,859	-	5,384
Sound system fund raiser	1,233	-	-	1,069	2,302
EB Hoopsters club	602	475	144	(300)	633
Class of 2008	2,981	379	2,533	-	827
Class of 2009	353	16,183	13,132	-	3,404
Class of 2010	376	2,817	1,771	-	1,422
Class of 2011	-	484	48	-	436
Class of 2012	175	125	-	-	300
Class of 2013	155	190	-	-	345

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<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>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Class of 2014	-	140	-	-	140
Interest	-	1,739	-	(1,739)	-
Student Ins.	-	590	590	-	-
Advanced placement	228	447	460	-	215
National Honor Society	482	877	1,108	-	251
NHS care project	2	496	485	-	13
Self contained special educ.	22	-	-	-	22
Middle school student council	1,135	3,722	3,748	(238)	871
Cheerleading club	1,148	1,062	1,756	-	454
HS student council	1,405	11,587	12,617	98	473
Technology	1,029	46	-	-	1,075
	<u>82,031</u>	<u>197,505</u>	<u>209,025</u>	<u>-</u>	<u>70,511</u>
Total	<u>82,031</u>	<u>197,505</u>	<u>209,025</u>	<u>-</u>	<u>70,511</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,494,844	2,240,472	2,124,201	2,142,510
Tuition	182,822	198,534	78,929	108,939
Other	455,892	464,704	423,690	361,979
State sources	2,747,732	2,612,883	2,461,748	2,370,714
Federal sources	158,630	163,531	169,980	239,988
Total revenues	<u>6,039,920</u>	<u>5,680,124</u>	<u>5,258,548</u>	<u>5,224,130</u>
Expenditures:				
Instruction:				
Regular	2,428,627	2,274,328	2,240,325	2,259,994
Special	772,330	710,299	654,472	689,300
Other	504,403	477,960	452,809	488,937
Support services:				
Student	92,170	93,285	88,398	89,026
Instructional staff	157,946	129,403	152,772	89,778
Administration	510,429	649,162	564,177	523,854
Operation and maintenance of plant	382,854	359,808	356,346	343,217
Transportation	301,677	347,069	279,916	215,302
Non-instructional programs	-	-	16,756	6,365
Other expenditures:				
Facilities acquisition	86,666	142,316	278,586	176,424
Long-term debt:				
Principal	61,845	37,225	65,634	218,625
Interest and other charges	7,737	32,357	1,430	10,402
AEA flowthrough	194,628	186,713	176,569	175,067
Total expenditures	<u>5,501,312</u>	<u>5,439,925</u>	<u>5,328,190</u>	<u>5,286,291</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
East Buchanan 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 East Buchanan Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2009. 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 East Buchanan 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 East Buchanan Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Buchanan 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 East Buchanan 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 East Buchanan Community School District's financial statements that is more than inconsequential will not be prevented or detected by East Buchanan 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 East Buchanan 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 08-I-A and 08-I-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Buchanan 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, 2008 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.

East Buchanan Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Buchanan 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 East Buchanan Community School District and other parties to whom East Buchanan 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 East Buchanan 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

March 3, 2009

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-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.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- 08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- 08-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.
- 08-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.
- 08-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 08-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.
- 08-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 08-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 08-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.
- 08-II-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.