

EASTERN ALLAMAKEE 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  
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, 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 Eastern Allamakee 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 April 28, 2009, 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, 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 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, 2007, (which are not presented herein). For 2007, 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. 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 28, 2009

## 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, 2008. 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.

### 2008 FINANCIAL HIGHLIGHTS

The general fund revenues increased from \$3,937,453 in fiscal 2007 to \$4,073,414 in fiscal 2008 while the general fund expenditures increased from \$3,992,300 in fiscal 2007 to \$4,093,426 in fiscal 2008. This resulted in a decrease in the district's general fund balance from \$639,547 in fiscal 2007 to a fund balance of \$619,773 in fiscal 2008 that is a decrease of 3 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 renovation of the kitchen.

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.

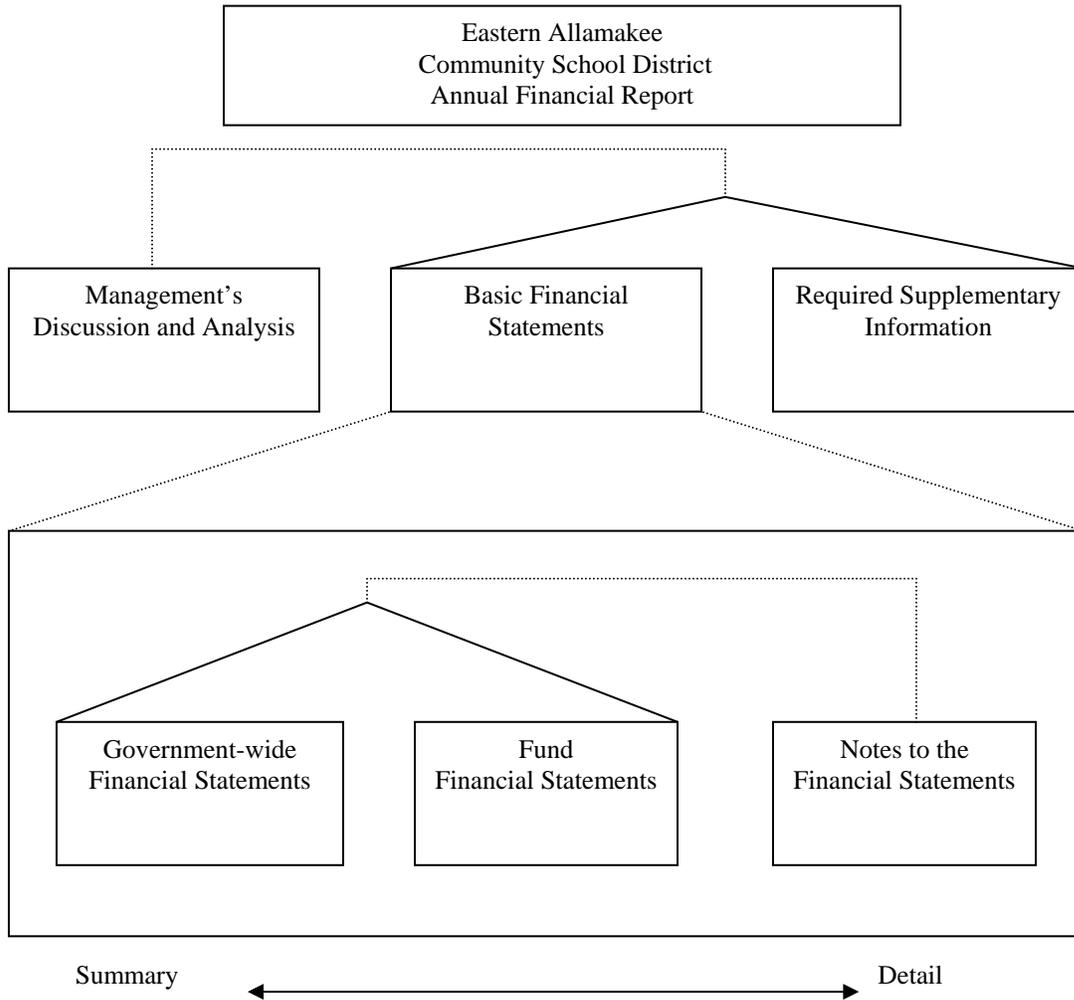
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary

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**

	<b>Government-wide Statements</b>	<b>Governmental funds</b>	<b>Fund Financial Statements</b>	
			<b>Propriety Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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.
<b>Required financial Statements</b>	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
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of asset/ Liability Information</b>	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
<b>Type of inflow/ Outflow Information</b>	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, 2008 compared to June 30, 2007. 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, 2008 compared to June 30, 2007.

**Figure A-3**

	Condensed Statement of Net Assets						Percentage Change 2007-2007
	Governmental Activities		Business-type Activities		Total School District		
	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,385,297	3,313,980	5,512	3,517	3,390,809	3,317,497	2%
Capital assets	7,111,215	7,111,568	22,991	23,145	7,134,206	7,134,713	<-1%
<b>Total assets</b>	<b>10,496,512</b>	<b>10,425,548</b>	<b>28,503</b>	<b>26,662</b>	<b>10,525,015</b>	<b>10,452,210</b>	<b>1%</b>
Long-term liabilities	5,030,943	5,203,958	-	-	5,030,943	5,203,958	-3%
Other liabilities	2,368,201	2,360,004	20,288	14,469	2,388,489	2,374,473	1%
<b>Total liabilities</b>	<b>7,399,144</b>	<b>7,563,962</b>	<b>20,288</b>	<b>14,469</b>	<b>7,419,432</b>	<b>7,578,431</b>	<b>-2%</b>
Net Assets:							
Invested in capital assets, net of related debt	2,296,215	2,086,568	22,991	23,145	2,319,206	2,109,713	10%
Restricted	159,411	221,580	-	-	159,411	221,580	-28%
Unrestricted	641,742	553,438	(14,776)	(10,952)	626,966	542,486	16%
<b>TOTAL NET ASSETS</b>	<b>3,097,368</b>	<b>2,861,586</b>	<b>8,215</b>	<b>12,193</b>	<b>3,105,583</b>	<b>2,873,779</b>	<b>8%</b>

Current and other assets balance increase is due to bond money spent by year-end. Capital assets remained relatively even.

Long-term liabilities decreased due to the payments on the bond issue.

Invested in capital assets net of related debt increased due to the renovation of buildings and the purchase of equipment.

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 \$62,169 or 28% 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 2008 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 – increased approximately \$84,480 or 16%. This increase in unrestricted net assets was a result of the District receiving additional miscellaneous income.

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 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	
Revenues							
Program Revenues:							
Charges for services	317,199	246,406	137,106	127,934	454,305	374,340	21%
Operating grants & contributions	864,066	639,588	99,267	85,190	963,333	724,778	33%
Capital grants & contributions	-	173,872	-	-	-	173,872	-100%
General Revenues:							
Property taxes	1,819,818	1,902,763	-	-	1,819,818	1,902,763	-4%
Income Surtax	173,875	139,397	-	-	173,875	139,397	25%
Local option sales tax	253,493	264,258	-	-	253,493	264,258	-4%
Unrestricted state grants	1,464,105	1,399,663	-	-	1,464,105	1,399,663	5%
Unrestricted investment earnings	33,145	32,750	289	335	33,434	33,085	1%
Other revenue	8,370	19,802	-	-	8,370	19,802	-58%
<b>Total Revenues</b>	<b>4,934,071</b>	<b>4,818,499</b>	<b>236,662</b>	<b>213,459</b>	<b>5,170,733</b>	<b>5,031,958</b>	<b>3%</b>
Expenses:							
Instruction	2,754,223	2,623,830	-	-	2,754,223	2,623,830	5%
Support services	1,388,802	1,376,636	-	-	1,388,802	1,376,636	1%
Non-instructional programs	7,646	1,027	245,470	229,389	253,116	230,416	10%
Other expenditures	542,788	533,786	-	-	542,788	533,786	2%
<b>Total expenses</b>	<b>4,693,459</b>	<b>4,535,279</b>	<b>245,470</b>	<b>229,389</b>	<b>4,938,929</b>	<b>4,764,668</b>	<b>4%</b>
Change in net assets before transfers	240,612	283,220	(8,808)	(15,930)	231,804	267,290	-13%
Transfers	(4,830)	(20,906)	4,830	20,906	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>235,782</b>	<b>262,314</b>	<b>(3,978)</b>	<b>4,976</b>	<b>231,804</b>	<b>267,290</b>	<b>-13%</b>
Net assets beginning of year	2,861,586	2,599,272	12,193	7,217	2,873,779	2,606,489	10%
Net assets end of year	3,097,368	2,861,586	8,215	12,193	3,105,583	2,873,779	8%

For the 2007-2008 school year property tax and unrestricted state grants account for 64 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 \$4,934,071 while expenses amounted to \$4,693,459.

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**

	<b>Total Cost of Services 2008</b>	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2008</b>	<b>Net Cost of Services 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Instruction	2,754,223	2,623,830	1,727,352	1,786,883
Support Services	1,388,802	1,376,636	1,387,688	1,354,166
Non-instructional Programs	7,646	1,027	7,646	1,027
Other Expenses	542,788	533,786	389,508	333,337
<b>TOTAL</b>	<b>4,693,459</b>	<b>4,535,279</b>	<b>3,512,197</b>	<b>3,475,413</b>

A portion of the cost financed by users of the District's programs was \$317,199.

The federal and state government subsidized certain programs with grants and contributions totaling \$864,066.

The net cost portion of governmental activities was financed with \$1,819,818 in property tax and \$1,464,105 in unrestricted state foundation aid.

**Business-Type Activities**

Revenues of the District's business-type activities were \$236,662 and expenses were \$245,470 for a loss of \$8,805 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 \$4,797,003 at the end of fiscal year 2007 to \$4,904,192 at the end of fiscal year 2008. The difference was created in the following areas: local property tax decreased from \$1,610,186 at the end of fiscal 2007 to \$1,531,025 at the end of fiscal 2008, state sources increased from \$1,894,963 to \$2,096,139 during that same time period; and Debt Service increased from 311,805 in 2007 to \$311,660 in 2008. The nonmajor governmental funds increased from \$232,349 to \$519,118 at the same time. This left a net increase of \$107,189 or .2%

During the same time total expenditures decreased from \$5,879,196 at the end of fiscal 2007 to \$4,864,223 or a decrease of \$1,014,973 or 17%.

The reserved fund balance decreased slightly due to the purchase vehicles. The capital projects' unreserved fund increased from (178,273) in 2007 to (66,072) in 2008 due to the completion of the building project. At the same time the nonmajor governmental remained unchanged.

**Business-Type Highlights**

The school nutrition fund decreased by an amount of \$3,978 from June 30, 2007 to June 30, 2008. This left the account with a total net asset of \$8,215 or a decrease of 33%.

## 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 throughout the district's funds.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## Capital Assets

The Eastern Allamakee Community School District had a total of \$8,581,845 of capital assets being depreciated. Of this amount \$1,477,797 was to total accumulated depreciation which left a net amount of \$7,104,048 total capital assets being depreciated. This was a decrease of \$353 or <1%.

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		Business type		Total		Percentage Change 2007-2008
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	7,167	7,167	-	-	7,167	7,167	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	6,894,122	6,805,349	-	-	6,894,122	6,805,349	-1%
Improvements	-	12,111	-	-	-	12,111	100%
Equipment & Furniture	210,279	286,588	23,145	22,991	233,424	309,579	33%
<b>TOTAL</b>	<u>7,111,568</u>	<u>7,111,215</u>	<u>23,145</u>	<u>22,991</u>	<u>7,134,713</u>	<u>7,134,206</u>	<-1%

## Long Term Debt

At year-end, the District had \$4,918,040 in general obligation bonds, early retirement and compensated absences. This represents a decrease of \$165,488 from year 2007. A six-year early

retirement package for the certified staff was approved in 2006 and a one-year early retirement package for the non-certified staff was approved in 2007. For 2008, the district approved an early retirement package in the amount of \$56,824.

Figure A-7  
Outstanding Long-Term Obligations

	Total Eastern 2007	Allamakee CSD 2008	Total Change %
General Obligation Bonds	\$5,025,000	\$4,815,000	-4%
Early Retirement	\$54,281	\$98,145	81%
Compensated Salaries	\$4,247	\$4,895	15%
Total	\$5,083,528	\$4,918,040	-3%

### 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 2008 showed that the enrollment had decrease by 32 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, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	954,145	1,857	956,002
Receivables:			
Property tax:			
Delinquent	29,110	-	29,110
Succeeding year	1,918,459	-	1,918,459
Accounts	2,004	-	2,004
Accrued interest	557	-	557
Due from other governments	359,108	197	359,305
Inventories	-	3,458	3,458
Bond issue costs	121,914	-	121,914
Capital assets, net of accumulated depreciation	7,111,215	22,991	7,134,206
<b>Total assets</b>	<b>10,496,512</b>	<b>28,503</b>	<b>10,525,015</b>
<b>Liabilities</b>			
Accounts payable	28,030	20	28,050
Salaries and benefits payable	388,343	18,621	406,964
Accrued interest payable	33,369	-	33,369
Deferred revenue:			
Succeeding year property tax	1,918,459	-	1,918,459
Other	-	1,647	1,647
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	215,000	-	215,000
Termination benefits	15,938	-	15,938
Compensated absences	1,632	-	1,632
Portion due after one year:			
General obligation bonds payable	4,600,000	-	4,600,000
Bond premium	112,903	-	112,903
Termination benefits	82,207	-	82,207
Compensated absences	3,263	-	3,263
<b>Total liabilities</b>	<b>7,399,144</b>	<b>20,288</b>	<b>7,419,432</b>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,296,215	22,991	2,319,206
Restricted for:			
State categorical aid	41,850	-	41,850
Management levy	4,608	-	4,608
Physical plant and equipment levy	38,186	-	38,186
Other special revenue purposes	74,767	-	74,767
Unrestricted	641,742	(14,776)	626,966
<b>Total net assets</b>	<u>3,097,368</u>	<u>8,215</u>	<u>3,105,583</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,879,340	111,396	627,744	-
Special	370,806	77,904	36,744	-
Other	504,077	126,785	46,298	-
	<u>2,754,223</u>	<u>316,085</u>	<u>710,786</u>	<u>-</u>
Support services:				
Student	133,478	-	-	-
Instructional staff	150,029	-	-	-
Administration	399,256	-	-	-
Operation and maintenance of plant	386,279	300	-	-
Transportation	319,760	814	-	-
	<u>1,388,802</u>	<u>1,114</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>7,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	16,492	-	-	-
Long-term debt interest	197,987	-	-	-
AEA flowthrough	153,280	-	153,280	-
Depreciation (unallocated)*	175,029	-	-	-
	<u>542,788</u>	<u>-</u>	<u>153,280</u>	<u>-</u>
Total governmental activities	<u>4,693,459</u>	<u>317,199</u>	<u>864,066</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	245,470	137,106	99,267	-
Total	<u>4,938,929</u>	<u>454,305</u>	<u>963,333</u>	<u>-</u>
<b>General Revenues:</b>				
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				
<b>Change in net assets</b>				
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.

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(1,140,200)	-	(1,140,200)
(256,158)	-	(256,158)
(330,994)	-	(330,994)
<u>(1,727,352)</u>	<u>-</u>	<u>(1,727,352)</u>
(133,478)	-	(133,478)
(150,029)	-	(150,029)
(399,256)	-	(399,256)
(385,979)	-	(385,979)
(318,946)	-	(318,946)
<u>(1,387,688)</u>	<u>-</u>	<u>(1,387,688)</u>
<u>(7,646)</u>	<u>-</u>	<u>(7,646)</u>
(16,492)	-	(16,492)
(197,987)	-	(197,987)
-	-	-
(175,029)	-	(175,029)
(389,508)	-	(389,508)
<u>(3,512,194)</u>	<u>-</u>	<u>(3,512,194)</u>
-	(9,097)	(9,097)
<u>(3,512,194)</u>	<u>(9,097)</u>	<u>(3,521,291)</u>
1,456,962	-	1,456,962
311,464	-	311,464
51,392	-	51,392
173,875	-	173,875
253,493	-	253,493
1,464,105	-	1,464,105
33,145	289	33,434
8,370	-	8,370
<u>3,752,806</u>	<u>289</u>	<u>3,753,095</u>
(4,830)	4,830	-
<u>3,747,976</u>	<u>5,119</u>	<u>3,753,095</u>
235,782	(3,978)	231,804
<u>2,861,586</u>	<u>12,193</u>	<u>2,873,779</u>
<u>3,097,368</u>	<u>8,215</u>	<u>3,105,583</u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	695,664	24	258,457	954,145
Receivables:				
Property tax:				
Delinquent	22,184	4,982	1,944	29,110
Succeeding year	1,450,738	324,224	143,497	1,918,459
Accounts	558	-	1,446	2,004
Accrued interest	-	-	557	557
Interfund receivable	189,584	-	14,900	204,484
Due from other governments	293,369	-	65,739	359,108
<b>Total assets</b>	<u>2,652,097</u>	<u>329,230</u>	<u>486,540</u>	<u>3,467,867</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	24,205	-	3,825	28,030
Salaries and benefits payable	388,343	-	-	388,343
Interfund payable	-	14,900	189,584	204,484
Deferred revenue:				
Succeeding year property tax	1,450,738	324,224	143,497	1,918,459
Other	169,038	-	-	169,038
Total liabilities	<u>2,032,324</u>	<u>339,124</u>	<u>336,906</u>	<u>2,708,354</u>
Fund balances:				
Reserved for:				
State categorical aid	41,850	-	-	41,850
Unreserved reported in:				
General fund	577,923	-	-	577,923
Special revenue funds	-	-	215,706	215,706
Capital projects funds	-	-	(66,072)	(66,072)
Debt service fund	-	(9,894)	-	(9,894)
Total fund balances	<u>619,773</u>	<u>(9,894)</u>	<u>149,634</u>	<u>759,513</u>
<b>Total liabilities and fund balances</b>	<u>2,652,097</u>	<u>329,230</u>	<u>486,540</u>	<u>3,467,867</u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	759,513
<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.	7,111,215
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	169,038
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.	(33,369)
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.	121,914
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>(5,030,943)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,097,368</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,531,025	311,464	375,056	2,217,545
Tuition	129,721	-	-	129,721
Other	84,770	-	143,985	228,755
State sources	2,096,139	196	77	2,096,412
Federal sources	231,759	-	-	231,759
Total revenues	<u>4,073,414</u>	<u>311,660</u>	<u>519,118</u>	<u>4,904,192</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,808,264	-	32,772	1,841,036
Special	370,806	-	-	370,806
Other	383,734	-	120,343	504,077
	<u>2,562,804</u>	<u>-</u>	<u>153,115</u>	<u>2,715,919</u>
Support services:				
Student	132,942	-	536	133,478
Instructional staff	149,226	-	803	150,029
Administration	374,293	-	12,704	386,997
Operation and maintenance of plant	343,802	-	54,399	398,201
Transportation	377,079	-	4,990	382,069
	<u>1,377,342</u>	<u>-</u>	<u>73,432</u>	<u>1,450,774</u>
Non-instructional programs	-	-	12,476	12,476
Other expenditures:				
Facilities acquisition	-	-	114,860	114,860
Long-term debt:				
Principal	-	210,000	-	210,000
Interest and fiscal charges	-	206,914	-	206,914
AEA flowthrough	153,280	-	-	153,280
	<u>153,280</u>	<u>416,914</u>	<u>114,860</u>	<u>685,054</u>
Total expenditures	<u>4,093,426</u>	<u>416,914</u>	<u>353,883</u>	<u>4,864,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,012)</u>	<u>(105,254)</u>	<u>165,235</u>	<u>39,969</u>
Other financing sources (uses):				
Sales of materials and equipment	238	-	-	238
Operating transfers in	-	105,812	-	105,812
Operating transfers out	-	-	(105,812)	(105,812)
Total other financing sources (uses)	<u>238</u>	<u>105,812</u>	<u>(105,812)</u>	<u>238</u>
Net change in fund balances	(19,774)	558	59,423	40,207
Fund balances beginning of year	<u>639,547</u>	<u>(10,452)</u>	<u>90,211</u>	<u>719,306</u>
Fund balances end of year	<u><u>619,773</u></u>	<u><u>(9,894)</u></u>	<u><u>149,634</u></u>	<u><u>759,513</u></u>

See notes to financial statements.

## 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, 2008

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		40,207
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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	213,567	
Depreciation expense	<u>(213,920)</u>	(353)
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.		
		29,641
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.		
		210,000
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.		
		1,400
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	(43,864)	
Compensated absences	<u>(648)</u>	(44,512)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
		(8,128)
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.		
		<u>7,527</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>235,782</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	1,857
Due from other governments	197
Inventories	3,458
Capital assets, net of accumulated depreciation	<u>22,991</u>
<b>Total assets</b>	<u>28,503</u>
<b>Liabilities</b>	
Accounts payable	20
Salaries and benefits payable	18,621
Deferred revenue	<u>1,647</u>
<b>Total liabilities</b>	<u>20,288</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	22,991
Unrestricted	<u>(14,776)</u>
<b>Total net assets</b>	<u><u>8,215</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>137,106</u>
Operating expenses:	
Non-instructional programs:	
Salaries	75,622
Benefits	44,032
Purchased services	260
Supplies	120,572
Depreciation	4,984
Total operating expenses	<u>245,470</u>
Operating gain (loss)	<u>(108,364)</u>
Non-operating revenues:	
State sources	2,594
Federal sources	96,673
Interest income	289
Total non-operating revenues	<u>99,556</u>
Gain (loss) before transfers	(8,808)
Capital contributions	<u>4,830</u>
Change in net assets	(3,978)
Net assets beginning of year	<u>12,193</u>
Net assets end of year	<u><u>8,215</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Nonmajor School Nutrition \$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	137,010
Cash payments to employees for services	(113,759)
Cash payments to suppliers for goods or services	(98,162)
Net cash used by operating activities	<u>(74,911)</u>
Cash flows from non-capital financing activities:	
State grants received	2,594
Federal grants received	73,667
Net cash provided by non-capital financing activities	<u>76,261</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>289</u>
Net increase (decrease) in cash and cash equivalents	1,639
Cash and cash equivalents at beginning of year	<u>218</u>
Cash and cash equivalents at end of year	<u><u>1,857</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(108,364)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	24,108
Depreciation	4,984
Decrease (increase) in inventories	(1,458)
(Decrease) increase in accounts payable	20
(Decrease) increase in salaries and benefits payable	5,895
(Decrease) increase in deferred revenue	<u>(96)</u>
Net cash used by operating activities	<u><u>(74,911)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received \$24,108 of federal commodities.

During the year the School Nutrition Fund received \$4,830 of equipment that was purchased by other funds.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	12,324
Accrued interest receivable	<u>257</u>
<b>Total Assets</b>	12,581
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>12,581</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	768
Deductions	
Support services:	
Scholarships awarded	<u>1,000</u>
Change in net assets	(232)
Net assets beginning of year	<u>12,813</u>
Net assets end of year	<u><u>12,581</u></u>

# EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### 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. Eastern Allamakee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### 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 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 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	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, 2008. 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, 2008, expenditures exceeded the amount budgeted in the non-instructional programs functional area.

**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.

At June 30, 2008, the District had an investment in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	<u>16,791</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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
General Fund	Nonmajor Capital Projects Fund	189,584
Nonmajor Capital Projects Fund	Debt Service Fund	14,900

These loans were for cash flow purposes.

### 4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Nonmajor Capital Projects Fund	105,812

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

### 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
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	7,167	-	-	7,167
Capital assets being depreciated:				
Buildings	8,074,330	86,134	-	8,160,464
Improvements other than buildings	23,550	12,233	-	35,783
Furniture and equipment	270,398	115,200	-	385,598
Total capital assets being deprec.	<u>8,368,278</u>	<u>213,567</u>	-	<u>8,581,845</u>
Less accumulated depreciation for:				
Buildings	1,180,208	174,907	-	1,355,115
Improvements other than buildings	23,550	122	-	23,672
Furniture and equipment	60,119	38,891	-	99,010
Total accumulated depreciation	<u>1,263,877</u>	<u>213,920</u>	-	<u>1,477,797</u>
Total capital assets being depreciated, net	<u>7,104,401</u>	<u>(353)</u>	-	<u>7,104,048</u>
Governmental activities capital assets, net	<u>7,111,568</u>	<u>(353)</u>	-	<u>7,111,215</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	156,375	4,830	-	161,205
Less accumulated depreciation	<u>133,230</u>	<u>4,984</u>	-	<u>138,214</u>
Business type activities capital assets, net	<u>23,145</u>	<u>(154)</u>	-	<u>22,991</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	21,460
Support services:	
Administration	3,483
Operation and maintenance of plant services	2,239
Transportation	<u>11,709</u>
	38,891
Unallocated depreciation	<u>175,029</u>
Total depreciation expense – governmental activities	<u>213,920</u>
Business type activities:	
Food services	<u>4,984</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
	\$	\$	\$	\$	\$
General obligation bonds	5,025,000	-	210,000	4,815,000	215,000
Termination benefits	54,281	56,824	12,960	98,145	15,938
Compensated absences	<u>4,247</u>	<u>648</u>	-	<u>4,895</u>	<u>1,632</u>
Total	<u>5,083,528</u>	<u>57,472</u>	<u>222,960</u>	<u>4,918,040</u>	<u>232,570</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its employees during 2008. 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 ¼ 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, 2008, the District has an obligation to four participants with a total liability of \$98,145. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$12,960.

## General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	4.50	255,000	159,536	414,536
2014-2018	4.00-4.50	1,450,000	625,845	2,075,845
2019-2023	4.10-4.30	1,780,000	301,573	2,081,573
2024	4.30-4.375	405,000	13,268	418,268
	<b>Total</b>	<b>4,815,000</b>	<b>1,838,198</b>	<b>6,653,198</b>

### **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 3.80% 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 \$133,325, \$120,203 and \$121,239 respectively, equal to the required contributions for each year.

### **8. Risk Management**

Eastern Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's self-funded programs. Stop loss insurance is purchased to cover claims in excess of \$90,000 per individual and aggregate stop loss insurance is purchased to limit the total cost to the group, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the District's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage.

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 \$153,280 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. 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, 2008 the District had a deficit fund balances in the Debt Service Fund of \$9,894 and the Nonmajor Capital Projects Fund of \$66,072.

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE 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	2,576,021	137,395	2,713,416	2,640,725	2,640,725	72,691
Intermediate sources	-	-	-	500	500	(500)
State sources	2,096,412	2,594	2,099,006	1,941,875	1,941,875	157,131
Federal sources	231,759	96,673	328,432	227,937	227,937	100,495
Total revenues	<u>4,904,192</u>	<u>236,662</u>	<u>5,140,854</u>	<u>4,811,037</u>	<u>4,811,037</u>	<u>329,817</u>
Expenditures/Expenses:						
Instruction	2,715,919	-	2,715,919	2,607,651	2,817,184	101,265
Support services	1,450,774	-	1,450,774	1,670,819	1,670,819	220,045
Non-instructional programs	12,476	245,470	257,946	217,400	224,723	(33,223)
Other expenditures	685,054	-	685,054	1,075,522	1,075,522	390,468
Total expenditures/expenses	<u>4,864,223</u>	<u>245,470</u>	<u>5,109,693</u>	<u>5,571,392</u>	<u>5,788,248</u>	<u>678,555</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	39,969	(8,808)	31,161	(760,355)	(977,211)	1,008,372
Other financing sources (uses) net	<u>238</u>	<u>4,830</u>	<u>5,068</u>	<u>2,000</u>	<u>2,000</u>	<u>3,068</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	40,207	(3,978)	36,229	(758,355)	(975,211)	1,011,440
Balance beginning of year	<u>719,306</u>	<u>12,193</u>	<u>731,499</u>	<u>1,395,851</u>	<u>1,395,851</u>	<u>(664,352)</u>
Balance end of year	<u><u>759,513</u></u>	<u><u>8,215</u></u>	<u><u>767,728</u></u>	<u><u>637,496</u></u>	<u><u>420,640</u></u>	<u><u>347,088</u></u>

EASTERN ALLAMAKEE 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 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 \$216,856.

During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Local Option Sales Tax	
	\$	\$	\$	\$	\$	
Cash and pooled investments	101,817	39,910	37,364	34,993	44,373	258,457
Receivables:						
Property tax:						
Delinquent	1,122	-	822	-	-	1,944
Succeeding year	90,000	-	53,497	-	-	143,497
Accounts	-	1,446	-	-	-	1,446
Accrued interest	-	-	-	557	-	557
Interfund receivable/payable	-	-	-	-	14,900	14,900
Due from other governments	-	-	-	-	65,739	65,739
<b>Total assets</b>	<b>192,939</b>	<b>41,356</b>	<b>91,683</b>	<b>35,550</b>	<b>125,012</b>	<b>486,540</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	186	2,139	-	-	1,500	3,825
Interfund payables	-	-	-	-	189,584	189,584
Deferred revenue:						
Succeeding year property tax	90,000	-	53,497	-	-	143,497
Total liabilities	90,186	2,139	53,497	-	191,084	336,906
Fund balances:						
Unreserved reported in:						
Special revenue funds	102,753	39,217	38,186	35,550	-	215,706
Capital projects funds	-	-	-	-	(66,072)	(66,072)
Total fund balances	102,753	39,217	38,186	35,550	(66,072)	149,634
<b>Total liabilities and fund balances</b>	<b>192,939</b>	<b>41,356</b>	<b>91,683</b>	<b>35,550</b>	<b>125,012</b>	<b>486,540</b>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Capital Projects	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Local Option Sales Tax	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	70,171	-	51,392	-	253,493	375,056
Other	11,655	127,596	1,191	1,686	1,857	143,985
State sources	45	-	32	-	-	77
Total revenues	<u>81,871</u>	<u>127,596</u>	<u>52,615</u>	<u>1,686</u>	<u>255,350</u>	<u>519,118</u>
Expenditures:						
Current:						
Instruction:						
Regular	32,772	-	-	-	-	32,772
Other	-	120,343	-	-	-	120,343
Support services:						
Student	536	-	-	-	-	536
Instructional staff	803	-	-	-	-	803
Administration	3,954	-	-	-	8,750	12,704
Operation and maintenance						
of plant	43,399	-	11,000	-	-	54,399
Transportation	1,829	-	3,161	-	-	4,990
Non-instructional programs	7,646	-	4,830	-	-	12,476
Other expenditures:						
Facilities acquisition	-	-	86,273	-	28,587	114,860
Total expenditures	<u>90,939</u>	<u>120,343</u>	<u>105,264</u>	<u>-</u>	<u>37,337</u>	<u>353,883</u>
Excess (deficiency) of revenues over (under) expenditures	(9,068)	7,253	(52,649)	1,686	218,013	165,235
Other financing sources (uses):						
Operating transfers out	-	-	-	-	(105,812)	(105,812)
Net change in fund balances	(9,068)	7,253	(52,649)	1,686	112,201	59,423
Fund balances beginning of year	<u>111,821</u>	<u>31,964</u>	<u>90,835</u>	<u>33,864</u>	<u>(178,273)</u>	<u>90,211</u>
Fund balances end of year	<u><u>102,753</u></u>	<u><u>39,217</u></u>	<u><u>38,186</u></u>	<u><u>35,550</u></u>	<u><u>(66,072)</u></u>	<u><u>149,634</u></u>

## EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
<b>KHS</b>					
Class of 2008	3,468	33,395	35,038	-	1,825
Class of 2009	1,304	6,427	1,215	-	6,516
Class of 2010	917	600	-	-	1,517
Class of 2011	-	700	-	-	700
Art club	473	150	-	-	623
Annual	2,876	10,966	10,110	-	3,732
Baseball	1,561	1,863	3,324	-	100
Athletics	4,756	35,107	34,830	-	5,033
Cheerleaders	394	-	-	-	394
Band	901	3,144	3,172	6	879
Speech	-	1,549	1,662	113	-
Drama	1,107	1,908	2,140	-	875
Juice machine	4,411	3,541	2,545	(139)	5,268
Music parents	279	58	-	-	337
National Honor Society	672	958	886	-	744
Pep club	245	83	-	-	328
SADD	210	-	-	-	210
Spanish club	2,045	3,284	3,620	-	1,709
Student council	580	1,209	1,270	-	519
Talon newspaper	218	55	-	-	273
Weightlifting	452	-	40	-	412
Prom	1,374	3,268	1,825	-	2,817
Vocal music	1,807	10,778	11,158	19	1,446
<b>LMS</b>					
Athletics	-	539	2,043	1,504	-
Music	-	115	138	23	-
Student council	1,572	79	508	-	1,143
Concessions	310	-	-	-	310
Magazine sales	486	6,174	3,357	(1,526)	1,777
Audubon Ark Adventure	428	200	313	-	315
Cheerleaders	108	-	-	-	108
Beginning accruals	(990)	-	(990)	-	-
Ending accruals	-	1,446	2,139	-	(693)
<b>Total</b>	<u>31,964</u>	<u>127,596</u>	<u>120,343</u>	<u>-</u>	<u>39,217</u>

## 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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,217,545	2,287,411	2,110,102	1,883,323
Tuition	129,721	85,388	56,451	36,030
Other	228,755	224,713	360,521	336,031
Intermediate sources	-	-	350	1,820
State sources	2,096,412	1,895,214	1,925,835	1,782,395
Federal sources	231,759	304,277	269,100	194,916
Total revenues	<u>4,904,192</u>	<u>4,797,003</u>	<u>4,722,359</u>	<u>4,234,515</u>
Expenditures:				
Instruction:				
Regular	1,841,036	1,813,272	1,781,150	1,491,721
Special	370,806	339,058	307,871	356,590
Other	504,077	528,051	432,610	489,739
Support services:				
Student	133,478	88,481	88,435	82,832
Instructional staff	150,029	174,453	266,487	155,797
Administration	386,997	373,817	410,312	422,530
Operation and maintenance of plant	398,201	384,833	357,797	320,418
Transportation	382,069	336,681	365,943	343,822
Central support				
Non-instructional programs	12,476	3,418	1,131	783
Other expenditures:				
Facilities acquisition	114,860	1,272,807	4,704,442	589,262
Long-term debt:				
Principal	210,000	200,000	95,000	-
Interest and other charges	206,914	215,014	312,667	-
AEA flowthrough	153,280	149,311	146,395	144,861
Total expenditures	<u>4,864,223</u>	<u>5,879,196</u>	<u>9,270,240</u>	<u>4,398,355</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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 28, 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 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 08-I-A and 08-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, 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.

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 28, 2009

EASTERN ALLAMAKEE 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.

EASTERN ALLAMAKEE 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, exceeded the amounts budgeted in the non-instructional programs function.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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: No business transactions between the District and District officials or employees were noted.

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: No transactions requiring board approval that had not been approved by the board were noted.

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

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 Certified Annual Report was certified to the Iowa Department of Education timely.

08-II-J Deficit Balances: The District has a \$9,894 deficit fund balance in the Debt Service Fund and a \$66,072 deficit in the Capital Projects Fund at June 30, 2008.

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.