EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

Table of Contents

		Page
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	Exhibit	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
	Schedule	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42-43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	44
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		45-46
Schedule of Findings and Responses		47-49

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2008 Election)		
Rodney McGraw	President	2009
Tami Young	Vice President	2009
Aaron Cook	Board Member	2010
Bill Naber	Board Member	2008
George Aberle	Board Member	2010
(After September 2008 Election)*		
Rodney McGraw	President	2009
Tami Young	Vice President	2009
Aaron Cook	Board Member	2010
Matthew Walthart	Board Member	2012
George Aberle	Board Member	2010
School Officials		
Daniel J Fox	Superintendent	
Carol L. Moroney	District Secretary	
Helen Reck	District Treasurer	

*Board terms may have been extended or shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2009, 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, 2009, 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 29, 2010, 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 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 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 five years ended June 30, 2008, (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 29, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 Financial Highlights

- General Fund revenues increased from $5,095,041 in fiscal 2008 to $5,488,774 in fiscal 2009, and General Fund expenditures also increased from $4,954,443 in fiscal 2008 to $5,216,922 in fiscal 2009. The District's General Fund balance increased from $1,041,279 in fiscal 2008 to $1,323,224 in fiscal 2009. This was a 27% increase in fund balance from fiscal 2008 to fiscal 2009.

- The increase in General Fund revenues in was attributable to an increase in local monies and federal American Recovery and Reinvestment Act (ARRA) revenue in fiscal 2009.

- The increase in expenditures was due primarily to an increase in the cost of instruction in fiscal 2009.

- The negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2009. As a measure to stop the erosion of fund balance, the district combined the positions of superintendent and elementary principal in fiscal year 2008. This move allows for continued savings each year and helps to 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-1
East Buchanan Community School District Annual Financial Report

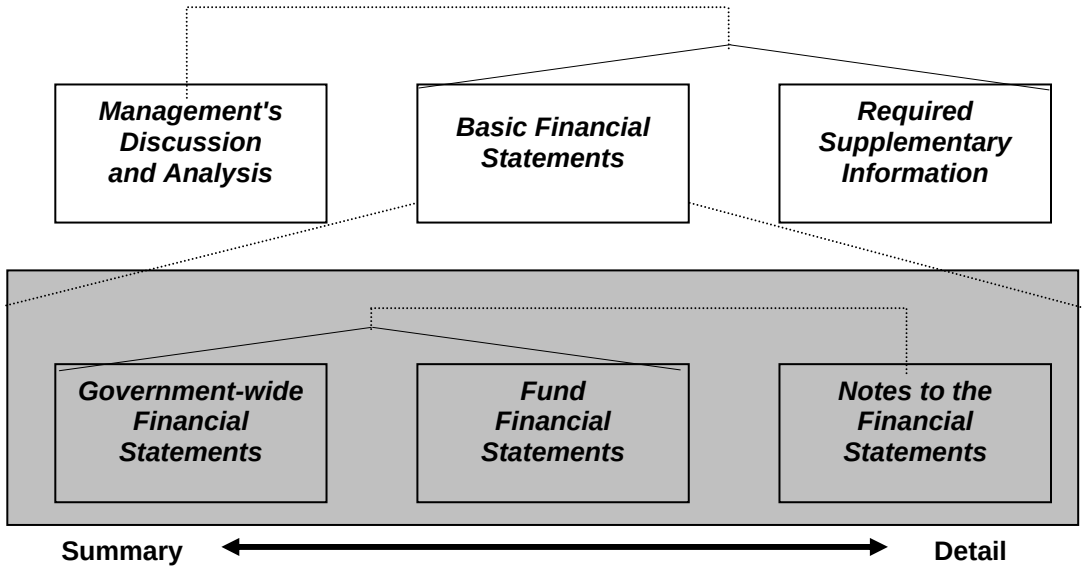

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2008-2009
	$	$	$	$	$	$	
Current and other assets	6,067,878	10,059,234	113,416	130,663	6,181,294	10,189,897	65%
Capital assets	3,135,300	3,377,279	14,545	11,893	3,149,845	3,389,172	8%
Total assets	9,203,178	13,436,513	127,961	142,556	9,331,139	13,579,069	46%
Long-term liabilities	466,108	3,516,813	-	-	466,108	3,516,813	655%
Other liabilities	3,161,532	3,600,537	20,288	20,692	3,181,820	3,621,229	14%
Total liabilities	3,627,640	7,117,350	20,288	20,692	3,647,928	7,138,042	96%
Net Assets:							
Invested in capital assets, net of related debt	3,028,246	3,312,918	14,545	11,893	3,042,791	3,324,811	9%
Restricted	1,415,834	1,461,607	-	-	1,415,834	1,461,607	16%
Unrestricted	1,131,458	1,544,638	93,128	109,971	1,224,586	1,654,609	35%
TOTAL NET ASSETS	5,575,538	6,319,163	107,673	121,864	5,683,211	6,441,027	13%

The District's combined net assets increased by nearly 13%, or approximately $727,816, 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 $45,773 over the prior year.

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 $430,023, or 35%. The increase was primarily a result of increased revenues and decreased expenditures in the Physical Plant and Equipment Fund.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2008	2009	2008	2009	2008	2009	2009-2008
	$	$	$	$	$	$	
Revenues							
Program Revenues:							
Charges for services	532,390	561,892	149,954	160,189	682,344	722,081	6%
Operating grants & contributions	660,379	817,411	104,575	106,060	764,954	923,471	21%
Capital grants & contributions	-		-	-	-		
General Revenues:							
Property taxes	1,922,619	1,971,648	-	-	1,922,619	1,971,648	3%
Income Surtax	253,371	277,076	-	-	253,371	277,076	9%
Statewide sales & service tax	320,903	323,328	-	-	320,903	323,328	1%
Unrestricted state grants	2,260,983	2,422,936	-	-	2,260,983	2,422,936	7%
Unrestricted investment earnings	85,167	97,740	1,997	1,936	87,164	99,676	14%
Other revenue (loss)	10,552	20,487	-	-	10,552	20,487	94%
Total Revenues	6,046,364	6,492,518	256,526	268,185	6,302,890	6,760,703	7%

Expenses:							
Instruction	3,655,034	3,860,179	-	-	3,655,034	3,860,179	6%
Support services	1,489,200	1,453,621	-	-	1,489,200	1,453,621	-2%
Non-instructional programs	-	8	250,174	253,994	250,174	254,002	2%
Other expenditures	369,522	435,085	-	-	369,522	435,085	18%
Total expenses	5,513,756	5,748,893	250,174	253,994	5,763,930	6,002,887	4%
Change in net assets before Transfers	532,608	743,625	6,352	14,191	538,960	757,816	41%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	532,608	743,625	6,352	14,191	538,960	757,816	41%
Net assets beginning of year	5,042,930	5,575,538	101,321	107,673	5,144,251	5,683,211	10%
Net assets end of year	5,575,538	6,319,163	107,673	121,864	5,683,211	6,441,027	13%

Property tax and unrestricted state grants account for 65% 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 $6,492,518 and expenses were $5,748,893. 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 2009**	**Net Cost of Services 2008**	**Net Cost of Services 2009**
	$	$	$	$
Instruction	3,655,034	3,860,179	2,763,754	2,736,441
Support Services	1,489,200	1,453,621	1,397,339	1,406,300
Non-instructional Programs	-	8	-	8
Other Expenses	369,522	435,085	159,894	226,841
TOTAL	5,513,756	5,748,893	4,320,987	4,369,590

- The cost financed by users of the District's programs was $561,892.
- Federal and state governments subsidized certain programs with grants and contributions totaling $817,411.
- The net cost of governmental activities was financed with $2,572,052 in property and other taxes and $2,422,936 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $268,185 and expenses were $253,994. 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 fiscal year ended June 30, 2009, the District showed revenues increasing 5% and expenditures increasing only 2% allowing the District 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 $6,181,556 compared to last year's ending fund balances of $2,686,302.

Governmental Fund Highlights

The District's Governmental Fund combined fund balance increased in fiscal year 2009 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 as well as additional federal funding resulted in an increase in revenues.

- The General Fund balance increased from $1,041,279 to $1,323,224 for a difference of $281,945. The combination of superintendent and elementary principal positions, receipt of federal American Recovery and Reinvestment Act (ARRA) monies, and monitoring expenditures closely 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 provide the latest technology capability to students and staff.

- Renewal of the Instructional Support Levy is crucial to maintain General Fund balance solvency. The majority funding of the Instructional Support Levy is from an income surtax and the amount of the Instructional Support Levy each year is very dependent upon the prosperity of District patrons. Funding received from the Instructional Support Levy are used to maintain the technology needs of the district as well as other District needs.

Management Fund

- The Management Fund balance increased $49,344 in fiscal year 2009 from fiscal year 2008. The increase in the Management Fund balance was partially the result of former certified employees who were taking advantage of the district's early retirement policy reaching age 65 and were therefore no longer eligible to participate in the insurance coverage offered by the District. 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 $78,198 in fiscal year 2009 from fiscal year 2008.

- Voted Physical Plant and Equipment Levy monies were used for the fourth payment on a capital loan note used for the purpose of lighting the fields in the district's sports complex. The final payment on the capital loan note will be in the spring of fiscal year 2010.

- Monies from the Physical Plant and Equipment Levy were used in fiscal year 2009 for boiler and roof repairs.

- In fiscal year 2009 the Board of Education added a Board Approved Physical Plant and Equipment Levy in the amount of $.33 per $1,000 of assessed valuation as well as continuing the amount of Voted Physical Plant and Equipment Levy of $1.00 per $1,000 of assessed valuation. This moved was taken in order to free up the existing balance in the Capital Projects Fund, thus providing those monies for the construction of the new PK-4 facility. 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 $3,076,319 during fiscal year 2009. A contributing factor for the increase in fund balance was sale of Revenue Bonds in the amount of $3,150,000.

- The Revenue Bonds along with monies that have been accumulating from the State Penny Sales Tax will be used to construct a new PK-4 facility to replace the current 1915 elementary building. The State Penny Sales Tax revenue source will remain until 2029 in the East Buchanan Community School District.

- Monies from projected State Penny Sales Tax revenue receipts will be used to repay the Revenue Bonds.

- Construction of a new PK-4 facility to replace of the current 1915 elementary building was commenced in the spring of fiscal year 2009 with a completion date projected to be in December, 2010.

"Other" Governmental Funds

The "Other" Governmental Funds balance (Activity Fund and Debt Service Fund), has increased over the previous fiscal year by $9,448 in the Activity Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $107,673 at June 30, 2008 to $121,864 at June 30, 2009, representing an increase of approximately 13%. 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 fiscal year 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, East Buchanan Community School District did amend its annual budget.

The District's receipts were $156,429 more 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 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested approximately $3.39 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 increase of 8% 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 $207,654.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2009-2008**
	$	$	$	$	$	$	
Land	48,355	48,355	-	-	48,355	48,355	0%
Construction in progress	-	324,730	-	-	-	324,730	100%
Buildings	2,639,165	2,564,216	-	-	2,639,165	2,564,217	-3%
Improvements	242,938	227,517	-	-	242,938	227,517	-6%
Equipment & Furniture	204,842	212,461	14,545	11,893	219,387	224,354	2%
TOTAL	3,135,300	3,377,279	14,545	11,893	3,149,845	3,389,173	8%

Long-Term Debt

At June 30, 2009, the District had $3,504,929 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	2009	2008-2009
	$	$	
Capital Loan Notes	84,072	42,941	-49%
Revenue Bonds	-	3,150,000	100%
Early Retirement	328,758	252,757	-23%
Compensated Absences	30,296	37,811	25%
Used bus loan	-	21,420	100%
	466,108	3,504,929	652%

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 2008 enrollment decreased by 6.9 students (1.22%) to 558.9. The September 2008 student enrollment count drives the state funding formula for the 2009 school year.

- The District has experienced declining enrollment for the past seven years. The continuing decline in enrollment is a very real concern for the District. It is hoped by District officials that new housing developments within the district, and the completion of the new PK-4 elementary facility will reverse the trend in the near future.

- The State of Iowa implemented a 1.5% across-the-board cut for the General Fund in fiscal year 2009 and it is expected that a similar or more drastic cut will be mandated in fiscal year 2010. The district will monitor receipts and expenditures very closely in the ensuing fiscal years to maintain a positive fund balance in the General Fund.

- 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.

- Combining the positions of Elementary Principal and Superintendent in fiscal year 2008 reduced the number of administrator from 3 FTE to 2 FTE. This move continues to help stem the erosion of the general fund balance, as it is an on-going savings each year.

- One certified employee opted to accept the District's Early Retirement policy at the end of fiscal year 2008 which allowed for his replacement at a much lower salary in fiscal year 2009.

- The District commenced the construction of a new PK-4 facility to replace the current 1915 elementary building financed by monies on hand and the sale of revenue bonds to be paid back by the State Penny Sales Tax.

- By watching expenditures and using federal American Recovery and Reinvestment Act of 2009 (ARRA) monies, the district was still able to increase the general fund balance regardless of the 1.5% state across-the-board cut.

- 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, 2009

	Governmental Activities	Business Type Activities	Total
	$	$	$
Assets			
Cash and cash equivalents:			
ISCAP	984,768	-	984,768
Other	6,313,350	124,686	6,438,036
Cash with fiscal agent	279,533	-	279,533
Receivables:			
Property tax:			
Delinquent	24,907	-	24,907
Succeeding year	2,025,535	-	2,025,535
Accounts	1,400	718	2,118
Accrued interest:			
ISCAP	5,031	-	5,031
Other	4,937	-	4,937
Due from other governments	350,869	-	350,869
Unamortized bond issue costs	68,904	-	68,904
Inventories	-	5,259	5,259
Capital assets, net of accumulated depreciation	3,377,279	11,893	3,389,172
Total assets	13,436,513	142,556	13,579,069
Liabilities			
Accounts payable	121,060	-	121,060
Salaries and benefits payable	436,900	17,546	454,446
Accrued interest payable	24,589	-	24,589
Deferred revenue:			
Succeeding year property tax	2,025,535	-	2,025,535
Other	-	3,146	3,146
ISCAP warrants payable	971,000	-	971,000
ISCAP accrued interest payable	7,159	-	7,159
ISCAP premium	14,294	-	14,294
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	42,941	-	42,941
Capital leases	21,420	-	21,420
Termination benefits	66,786	-	66,786
Compensated absences	7,562	-	7,562
Portion due after one year:			
Revenue bonds payable	3,150,000	-	3,150,000
Termination benefits	185,971	-	185,971
Compensated absences	30,249	-	30,249
Unamortized bond premium	11,884	-	11,884
Total liabilities	7,117,350	20,692	7,138,042

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	$	$	$
Net assets			
Invested in capital assets, net of related debt	3,312,918	11,893	3,324,811
Restricted for:			
Categorical funding	6,032	-	6,032
Management levy	29,576	-	29,576
Physical plant and equipment levy	411,710	-	411,710
Other special revenue purposes	79,959	-	79,959
Sales tax capital projects	934,330	-	934,330
Unrestricted	1,544,638	109,971	1,654,609
Total net assets	6,319,163	121,864	6,441,027

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular	2,271,810	304,129	492,955	-
Special	931,942	-	44,396	-
Other	656,427	211,469	70,789	-
	3,860,179	515,598	608,140	-
Support services:				
Student	92,749	-	-	-
Instructional staff	168,952	-	-	-
Administration	539,955	-	-	-
Operation and maintenance of plant	379,556	-	-	-
Transportation	272,409	46,294	1,027	-
	1,453,621	46,294	1,027	-
Non-instructional programs	8	-	-	-
Other expenditures:				
Facilities acquisition	81,264	-	-	-
Long-term debt interest	28,874	-	-	-
AEA flowthrough	208,244	-	208,244	-
Depreciation (unallocated)*	116,703	-	-	-
	435,085	-	208,244	-
Total governmental activities	5,748,893	561,892	817,411	-
Business type activities:				
Non-instructional programs:				
Food service operations	253,994	160,189	106,060	-
Total	6,002,887	722,081	923,471	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other (loss)				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$	$	$
(1,474,726)	-	(1,474,726)
(887,546)	-	(887,546)
(374,169)	-	(374,169)
(2,736,441)	-	(2,736,441)
(92,749)	-	(92,749)
(168,952)	-	(168,952)
(539,955)	-	(539,955)
(379,556)	-	(379,556)
(225,088)	-	(225,088)
(1,406,300)	-	(1,406,300)
(8)	-	(8)
(81,264)	-	(81,264)
(28,874)	-	(28,874)
-	-	-
(116,703)	-	(116,703)
(226,841)	-	(226,841)
(4,369,590)	-	(4,369,590)
-	12,255	12,255
(4,369,590)	12,255	(4,357,335)
1,780,468	-	1,780,468
191,180	-	191,180
277,076	-	277,076
323,328	-	323,328
2,422,936	-	2,422,936
97,740	1,936	99,676
20,487	-	20,487
5,113,215	1,936	5,115,151
743,625	14,191	757,816
5,575,538	107,673	5,683,211
6,319,163	121,864	6,441,027

Exhibit C

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Capital Projects- Local Option Sales Tax	Nonmajor Governmental Funds	Total
	$	$	$	$
Assets				
Cash and pooled investments:				
ISCAP	984,768	-	-	984,768
Other	1,691,707	3,844,051	777,592	6,313,350
Cash with fiscal agent	-	279,533	-	279,533
Receivables:				
Property tax:				
Delinquent	20,006	-	4,901	24,907
Succeeding year	1,635,776	-	389,759	2,025,535
Accounts	1,400	-	-	1,400
Accrued interest - ISCAP	5,031	-	-	5,031
Accrued interest - other	-	4,937	-	4,937
Due from other governments	289,697	61,172	-	350,869
Total assets	4,628,385	4,189,693	1,172,252	9,990,330
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	7,206	105,363	8,491	121,060
Salaries and benefits payable	436,900	-	-	436,900
ISCAP warrants payable	971,000	-	-	971,000
ISCAP accrued interest payable	7,159	-	-	7,159
ISCAP premium	14,294	-	-	14,294
Deferred revenue:				
Succeeding year property tax	1,635,776	-	389,759	2,025,535
Other	232,826	-	-	232,826
Total liabilities	3,305,161	105,363	398,250	3,808,774
Fund balances:				
Reserved for:				
Categorical funding	6,032	-	-	6,032
Unreserved, undesignated reported in:				
General fund	467,192	-	-	467,192
Special revenue funds	-	-	774,002	774,002
Capital projects funds	-	4,084,330	-	4,084,330
Unreserved, designated	850,000	-	-	850,000
Total fund balances	1,323,224	4,084,330	774,002	6,181,556
Total liabilities and fund balances	4,628,385	4,189,693	1,172,252	9,990,330

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, 2009

	$
Total fund balances of governmental funds (Exhibit C)	6,181,556
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,377,279
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	232,826
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.	(24,589)
Long-term liabilities, including bonds payable, 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.	(3,447,909)
Net assets of governmental activities (Exhibit A)	6,319,163

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects-Sales Tax	Nonmajor Governmental Funds	Total
	$	$	$	$
Revenues:				
Local sources:				
Local tax	1,845,490	323,328	391,637	2,560,455
Tuition	154,387	-	-	154,387
Other	248,790	36,912	229,837	515,539
State sources	3,012,267	-	239	3,012,506
Federal sources	227,840	-	-	227,840
Total revenues	5,488,774	360,240	621,713	6,470,727
Expenditures:				
Current:				
Instruction:				
Regular	2,250,137	-	77,046	2,327,183
Special	931,942	-	-	931,942
Other	452,466	-	203,961	656,427
	3,634,545	-	281,007	3,915,552
Support services:				
Student	92,749	-	-	92,749
Instructional staff	147,552	-	21,400	168,952
Administration	515,199	-	21,656	536,855
Operation and maintenance of plant	352,613	-	24,901	377,514
Transportation	266,012	-	15,860	281,872
	1,374,125	-	83,817	1,457,942
Non-instructional programs	8	-	-	8
Other expenditures:				
Facilities acquisition	-	402,421	71,737	474,158
Long-term debt:				
Principal	-	-	86,493	86,493
Interest and fiscal charges	-	-	5,469	5,469
AEA flowthrough	208,244	-	-	208,244
	208,244	402,421	163,699	774,364
Total expenditures	5,216,922	402,421	528,523	6,147,866
Excess (deficiency) of revenues over (under) expenditures	271,852	(42,181)	93,190	322,861
Other financing sources (uses):				
Compensation for loss of fixed assets	1,443	-	-	1,443
Proceeds from long-term loans	-	-	43,800	43,800
Bonds issued	-	3,150,000	-	3,150,000
Bond premium	-	11,984	-	11,984
Bond discount	-	(43,484)	-	(43,484)
Sales of materials and equipment	8,650	-	-	8,650
Operating transfers in	-	-	91,962	91,962
Operating transfers out	-	-	(91,962)	(91,962)
Total other financing sources (uses)	10,093	3,118,500	43,800	3,172,393
Net change in fund balances	281,945	3,076,319	136,990	3,495,254
Fund balances beginning of year	1,041,279	1,008,011	637,012	2,686,302
Fund balances end of year	1,323,224	4,084,330	774,002	6,181,556

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, 2009

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		3,495,254
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	446,981	
Depreciation expense	(205,002)	241,979
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.		11,598
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.		143,513
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.		(23,405)
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	76,001	
Compensated absences	(7,515)	68,486
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(3,193,800)
Changes in net assets of governmental activities (Exhibit B)		743,625

See notes to financial statements.

Exhibit G

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	$
Assets	
Cash and cash equivalents	124,686
Accounts receivable	718
Inventories	5,259
Capital assets, net of accumulated depreciation	11,893
Total assets	142,556
Liabilities	
Salaries and benefits payable	17,546
Deferred revenue	3,146
Total liabilities	20,692
Net assets	
Invested in capital assets	11,893
Unrestricted	109,971
Total net assets	121,864

See notes to financial statements

Exhibit H

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor School Nutrition
	$
Operating revenue:	
Local sources:	
Charges for service	160,189
Operating expenses:	
Non-instructional programs:	
Salaries	86,462
Benefits	26,423
Supplies	135,863
Depreciation	2,652
Other	2,594
Total operating expenses	253,994
Operating gain (loss)	(93,805)
Non-operating revenues:	
State sources	3,267
Federal sources	102,793
Interest income	1,936
Total non-operating revenues	107,996
Change in net assets	14,191
Net assets beginning of year	107,673
Net assets end of year	121,864

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	160,067
Cash payments to employees for services	(112,649)
Cash payments to suppliers for goods or services	(126,092)
Net cash used by operating activities	(78,674)
Cash flows from non-capital financing activities:	
State grants received	3,267
Federal grants received	87,607
Net cash provided by non-capital financing activities	90,874
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	1,936
Net increase (decrease) in cash and cash equivalents	14,136
Cash and cash equivalents at beginning of year	110,550
Cash and cash equivalents at end of year	124,686
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(93,805)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	15,186
Depreciation	2,652
Decrease (increase) in inventories	(2,821)
Decrease (increase) in accounts receivable	(290)
(Decrease) increase in salaries and benefits payable	236
(Decrease) increase in deferred revenue	168
Net cash used by operating activities	(78,674)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received $15,186 of federal commodities.

See notes to financial statements.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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.

Asset Class	Amount
	$
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:

Asset Class	Estimated Useful Lives
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 hours for subsequent use or for payment upon termination, death or retirement. 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 employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. 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, 2009 expenditures did not exceed the budget.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had the following investments:

	Fair Value
	$
Goldman Sachs Financial Square Treasury Obligations Fund	7,891

Credit risk: The investment in the Goldman Sachs Financial Square Treasury Obligations Fund was rated Aaa by Moody's Investors Service.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	$
Diversified Portfolio	9

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 Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		$
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Debt Service Fund	Physical Plant and Equipment Levy Fund	91,962

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, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2008-09B	1/21/09	1/21/10	539,833	4,976	533,000	7,009
2009-10A	6/25/09	6/23/10	444,935	55	438,000	150
			984,768	5,031	971,000	7,159

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, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
$	$	$	$
-	80,000	80,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09B	3.000	2.110
2009-10A	2.500	0.902

5. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	324,730	-	324,730
Land	48,355	-	-	48,355
Total capital assets not being deprec.	48,355	324,730	-	373,085
Capital assets being depreciated:				
Buildings	3,927,587	20,171	-	3,947,758
Improvements other than buildings	364,892	-	-	364,892
Furniture and equipment	1,088,224	102,080	-	1,190,304
Total capital assets being deprec.	5,380,703	122,251	-	5,502,954
Less accumulated depreciation for:				
Buildings	1,288,422	95,120	-	1,383,542
Improvements other than buildings	121,954	15,421	-	137,375
Furniture and equipment	883,382	94,461	-	977,843
Total accumulated depreciation	2,293,758	205,002	-	2,498,760
Total capital assets being depreciated, net	3,086,945	(82,751)	-	3,004,194
Governmental activities capital assets, net	3,135,300	241,979	-	3,377,279

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Business type activities:				
Furniture and equipment	54,045	-	-	54,045
Less accumulated depreciation	39,500	2,652	-	42,152
Business type activities capital assets, net	14,545	(2,652)	-	11,893

Depreciation expense was charged to the following functions:

	$
Governmental activities:	
Instruction:	
Regular	52,785
Support services:	
Administration	3,100
Operation and maintenance of plant services	2,042
Transportation	34,337
	92,264
Unallocated depreciation	112,738
Total depreciation expense – governmental activities	205,002
Business type activities:	
Food services	2,652

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Capital leases	22,982	-	22,982	-	-
Revenue Bonds	-	3,150,000	-	3,150,000	-
Capital loan notes	84,072	-	41,131	42,941	42,941
Used bus loan	-	43,800	22,380	21,420	21,420
Termination benefits	328,758	-	76,001	252,757	66,786
Compensated absences	30,296	7,515	-	37,811	7,562
Total	466,108	3,201,315	162,494	3,504,929	138,709

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, 2009, the District has obligations to eleven participants with a total liability of $252,757. Actual early retirement expenditures for the year ended June 30, 2009 totaled $76,001.

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
	%	$	$	$
2010	5.0	42,941	2,533	45,474

During the year ended June 30, 2009 the District made principal and interest payments totaling $45,474 under the note agreements.

Bus loan

The District's bus loan indebtedness as of June 30, 2009 is as follows:

Year Ending June 30,	Amount
	$
2010	22,340
Minimum Lease Payments	22,340
Less Amount Representing Interest @ 4.480%	920
Present Value of Minimum Lease Payments	21,420

Revenue Bonds

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

	Bond Issue of May 2006			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	$	$	$
2010	-	-	94,695	94,695
2011	-	-	142,042	142,042
2012	3.40	85,000	140,597	225,597
2013	3.40	115,000	137,197	252,197
2014	3.40	120,000	133,203	253,203
2015-2019	3.40-4.00	740,000	592,583	1,332,583
2020-2024	4.40-5.00	845,000	429,773	1,274,773
2025-2029	5.00-5.350	1,015,000	198,816	1,213,816
2030	5.350	230,000	6,153	236,153
		3,150,000	1,875,059	5,025,059

The District has pledged future local option (statewide) sales and services tax revenues to repay the $3,150,000 bonds issued in May 2009. The bonds were issued for the purpose of financing a portion of the costs of an elementary addition. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is $5,025,059. For the current year, no

principal and interest was paid on the bonds and total statewide sales and services tax revenues were $323,328.

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

- $271,643 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.

- Proceeds from the statewide sales and services tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the statewide sales and services tax may be used.

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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $167,400, $151,230 and $145,311 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 $208,244 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling $3,521,320 for an elementary addition. As of June 30, 2009 costs of $324,730 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the project progresses.

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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
	$	$	$	$	$	$
Revenues:						
Local sources	3,230,381	162,125	3,392,506	3,279,777	3,279,777	112,729
State sources	3,012,506	3,267	3,015,773	3,045,706	3,045,706	(29,933)
Federal sources	227,840	102,793	330,633	257,000	257,000	73,633
Total revenues	6,470,727	268,185	6,738,912	6,582,483	6,582,483	156,429
Expenditures/Expenses:						
Instruction	3,915,552	-	3,915,552	3,976,000	4,000,050	84,498
Support services	1,457,942	-	1,457,942	1,790,998	1,815,000	357,058
Non-instructional programs	8	253,994	254,002	250,000	290,000	35,998
Other expenditures	774,364	-	774,364	506,018	3,656,100	2,881,736
Total expenditures/expenses	6,147,866	253,994	6,401,860	6,523,016	9,761,150	3,359,290
Excess (deficiency) of revenues over (under) expenditures/expenses	322,861	14,191	337,052	59,467	(3,178,667)	3,515,719
Other financing sources (uses) net	3,172,393	-	3,172,393	-	-	3,172,393
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	3,495,254	14,191	3,509,445	59,467	(3,178,667)	6,688,112
Balance beginning of year	2,686,302	107,673	2,793,975	2,717,864	2,717,864	76,111
Balance end of year	6,181,556	121,864	6,303,420	2,777,331	(460,803)	6,764,223

See accompanying independent auditor's report

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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 amended its budget during the year, increasing expenditures by $3,238,134.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds			
Assets	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Total
	$	$	$	$
Cash and pooled investments	279,795	88,450	409,347	777,592
Receivables:				
Property tax:				
Delinquent	2,538	-	2,363	4,901
Succeeding year	190,000	-	199,759	389,759
Total assets	472,333	88,450	611,469	1,172,252
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	8,491	-	8,491
Deferred revenue:				
Succeeding year property tax	190,000	-	199,759	389,759
Total liabilities	190,000	8,491	199,759	398,250
Fund balances:				
Unreserved reported in:				
Special revenue funds	282,333	79,959	411,710	774,002
Total liabilities and fund balances	472,333	88,450	611,469	1,172,252

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds				
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	Total
	$	$	$	$	$
Revenues:					
Local sources:					
Local tax	200,457	-	191,180	-	391,637
Other	9,627	213,409	6,801	-	229,837
State sources	123	-	116	-	239
Total revenues	210,207	213,409	198,097	-	621,713
Expenditures:					
Current:					
Instruction:					
Regular	77,046	-	-	-	77,046
Other	-	203,961	-	-	203,961
Support services:					
Instructional staff	21,400	-	-	-	21,400
Administration	21,656	-	-	-	21,656
Operation and maintenance of plant	24,901	-	-	-	24,901
Transportation	15,860	-	-	-	15,860
Other expenditures:					
Facilities acquisition	-	-	71,737	-	71,737
Long-term debt:					
Principal	-	-	-	86,493	86,493
Interest and fiscal charges	-	-	-	5,469	5,469
Total expenditures	160,863	203,961	71,737	91,962	528,523
Excess (deficiency) of revenues over (under) expenditures	49,344	9,448	126,360	(91,962)	93,190
Other financing sources (uses):					
Proceeds from capital leases	-	-	43,800	-	43,800
Operating transfers in	-	-	-	91,962	91,962
Operating transfers out	-	-	(91,962)	-	(91,962)
Total other financing sources (uses)	-	-	(48,162)	91,962	43,800
Net change in fund balances	49,344	9,448	78,198	-	136,990
Fund balances beginning of year	232,989	70,511	333,512	-	637,012
Fund balances end of year	282,333	79,959	411,710	-	774,002

See accompanying independent auditor's report.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	$	$	$	$	$
Athletics	13,547	69,202	63,182	3,547	23,114
Annual	6,533	5,485	5,934	-	6,084
Buccaneer club	1,378	837	297	545	2,463
Drama/speech	1,454	2,046	1,262	-	2,238
FBLA	684	6,932	6,501	(50)	1,065
Feed store	138	580	711	35	42
Fitness club	1,386	-	285	-	1,101
Shop club	66	-	-	-	66
Library club	1,201	8,766	8,093	-	1,874
Marketing	26	-	-	-	26
Music	225	5,567	4,807	(400)	585
Newspaper	1,026	100	240	-	886
Pep band	65	1,101	1,065	-	101
Color guard	535	685	661	-	559
Physics club	326	-	-	-	326
Spanish club	1,058	6,510	7,516	-	52
Speech	202	514	529	-	187
Elementary student council	2,424	6,601	3,604	134	5,555
Camp Wapsie Y	3,457	2,869	2,497	-	3,829
Softball fund raiser	4,729	12,220	10,156	(1,950)	4,843
Volleyball fund raiser	900	3,150	3,146	-	904
Girls basketball fund raiser	267	826	1,060	400	433
Girls track fund raiser	36	388	369	-	55
Boys track fundraiser	-	453	440	-	13
Boys basketball fund raiser	1,502	4,453	4,798	400	1,557
MS girls BB	65	2,197	2,063	-	199
Golf	219	190	383	-	26
Trapshooting fund raiser	12	-	-	-	12
Wrestling fund raiser	1,198	8,508	8,413	-	1,293
MS boys baseball	7,015	3,230	5,898	1,570	5,917
Football fund raiser	270	14,558	8,614	(3,202)	3,012
Music trip fund raiser	5,384	5,970	3,642	-	7,712
Sound system fund raiser	2,302	-	100	1,612	3,814
EB Hoopsters club	633	552	168	(800)	217
Class of 2008	827	1	828	-	-
Class of 2009	3,404	55	2,914	(545)	-
Class of 2010	1,422	14,473	12,427	50	3,518
Class of 2011	436	340	127	-	649
Class of 2012	300	220	55	-	465
Class of 2013	345	185	-	-	530
Class of 2014	140	126	-	-	266

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	$	$	$	$	$
Class of 2015	-	170	-	-	170
Interest	-	1,612	-	(1,612)	-
Student Ins.	-	851	851	-	-
Advanced placement	215	312	390	-	137
National Honor Society	251	4,340	4,862	400	129
NHS care project	13	435	300	-	148
Self contained special educ.	22	-	22	-	-
Middle school student council	871	4,643	4,624	(134)	756
Cheerleading club	454	177	510	-	121
HS student council	473	10,979	11,126	-	326
Technology	1,075	-	-	-	1,075
Ending accruals	-	-	8,491	-	(8,491)
Total	70,511	213,409	203,961	-	79,959

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	$	$	$	$	$	$
Revenues:						
Local sources:						
Local tax	2,560,455	2,494,844	2,240,472	2,124,201	2,142,510	2,138,653
Tuition	154,387	182,822	198,534	78,929	108,939	61,589
Other	515,539	455,892	464,704	423,690	361,979	400,568
State sources	3,012,506	2,747,732	2,612,883	2,461,748	2,370,714	2,272,432
Federal sources	227,840	158,630	163,531	169,980	239,988	241,422
Total revenues	6,470,727	6,039,920	5,680,124	5,258,548	5,224,130	5,114,664
Expenditures:						
Instruction:						
Regular	2,327,183	2,428,627	2,274,328	2,240,325	2,259,994	2,178,189
Special	931,942	772,330	710,299	654,472	689,300	757,733
Other	656,427	504,403	477,960	452,809	488,937	433,991
Support services:						
Student	92,749	92,170	93,285	88,398	89,026	78,703
Instructional staff	168,952	157,946	129,403	152,772	89,778	81,494
Administration	536,855	510,429	649,162	564,177	523,854	556,540
Operation and maintenance	377,514	382,854	359,808	356,346	343,217	361,179
Transportation	281,872	301,677	347,069	279,916	215,302	305,523
Non-instructional programs	8	-	-	16,756	6,365	65
Other expenditures:						
Facilities acquisition	474,158	86,666	142,316	278,586	176,424	377,044
Long-term debt:						
Principal	86,493	61,845	37,225	65,634	218,625	217,777
Interest and other charges	5,469	7,737	32,357	1,430	10,402	11,225
AEA flowthrough	208,244	194,628	186,713	176,569	175,067	176,916
Total expenditures	6,147,866	5,501,312	5,439,925	5,328,190	5,286,291	5,536,379

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

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2010. 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 09-I-A and 09-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, 2009 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 29, 2010

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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.

09-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.

Part II: Other Findings Related to Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

09-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.

09-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.

09-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

09-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.

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: We noted that the supplemental weighting included one open enrolled in student in the computation reported to the Iowa Department of Education on Line 12 of the Certified Enrollment Certification Form for October 2008 overstating Line 12 by .018 students.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District Response: We will contact these departments.

09-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.

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

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Part II: Other Findings Related to Statutory Reporting (continued):

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

	$	$
Beginning balance		1,008,011
Revenue bonds issued		3,118,500
Statewide sales and services tax revenue		323,328
Interest income		36,912
		4,486,751
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements		402,421
Ending balance		4,084,330

09-II-L Policy on Payment of Bills Prior to Board Approval: We noted that the board approved Nutrition and Activity Fund bills after they are paid.

Recommendation: Chapter 179.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. The Board's written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed.

District Response: We will revise our policy on payment of bills prior to board approval.

Conclusion: Response accepted.