

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
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		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
Schedule of Funding Progress for the Retiree Health Plan		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	44-45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	46
Schedule of Expenditures of Federal Awards	5	47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		48-49
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		50-51
Schedule of Findings and Questioned Costs		52-57

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, 2010, which collectively comprise the District's basic financial statements 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, 2010, 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 May 6, 2011, 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 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 six years ended June 30, 2009, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

May 6, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues decreased from \$5,488,774 in fiscal 2009 to \$5,463,117 in fiscal 2010, and General Fund expenditures increased from \$5,216,922 in fiscal 2009 to \$5,367,261 in fiscal 2010. The District's General Fund balance increased from \$1,323,224 in fiscal 2009 to \$1,420,702 in fiscal 2010. This was a 7% increase in fund balance from fiscal 2009 to fiscal 2010.
- The decrease in General Fund revenues was attributable to a decrease in revenues from the State as there was a 10% across the board cut implemented by the legislation.
- The increase in expenditures was due primarily to an increase in the cost of instruction combined with the lack of funding from the State with the 10% cut; hence, the district did not forward that cut on to the staff, but instead consumed that expense in the General Fund.
- The negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2010 due to the above mentioned decrease in funding. The past measure back in 2008 wherein the positions of superintendent and elementary principal were combined has aided the district in supplementation of funds. This move not only allows for continued savings each year, but also in times where funding is compromised to maintain the General Fund balance regardless of the negotiated salary and benefit settlement increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the East Buchanan Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report for the East Buchanan Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the East Buchanan Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

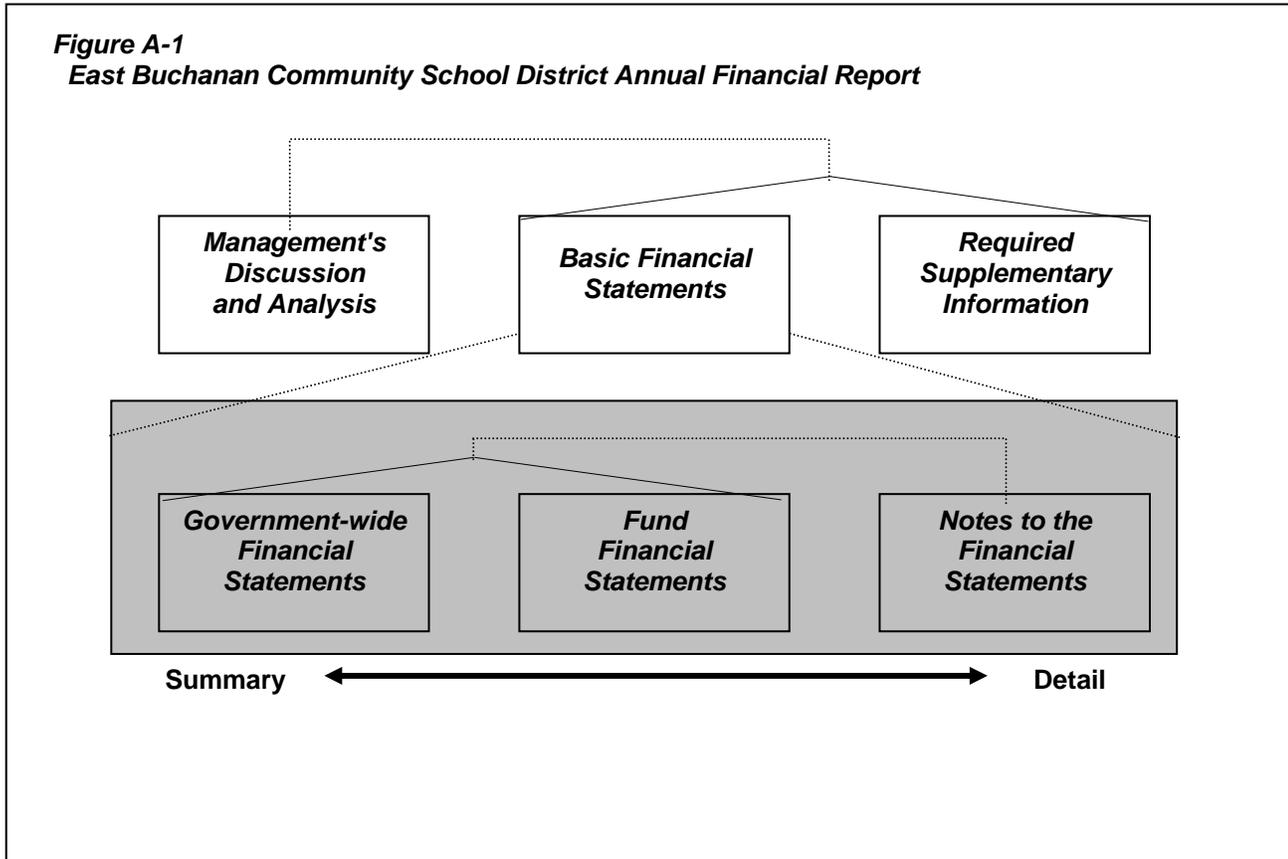


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2009-2010
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,076,084	10,059,234	135,108	130,663	7,211,192	10,189,897	-29%
Capital assets	6,001,536	3,377,279	25,234	11,893	6,026,770	3,389,172	78%
Total assets	13,077,620	13,436,513	160,342	142,556	13,237,962	13,579,069	-3%
Long-term liabilities	3,446,573	3,516,813	-	-	3,446,573	3,516,813	-2%
Other liabilities	2,913,692	3,600,537	21,168	20,692	2,934,860	3,621,229	-19%
Total liabilities	6,360,265	7,117,350	21,168	20,692	6,381,433	7,138,042	-11%
Net Assets:							
Invested in capital assets, net of related debt	3,284,870	3,312,918	25,234	11,893	3,310,104	3,324,811	-1%
Restricted	1,762,919	1,461,607	-	-	1,762,919	1,461,607	21%
Unrestricted	1,669,566	1,544,638	113,940	109,971	1,783,506	1,654,609	8%
TOTAL NET ASSETS	6,717,355	6,319,163	139,174	121,864	6,856,529	6,441,027	6%

The District's combined net assets increased by nearly 6%, or approximately \$415,502, 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 \$301,312 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 \$128,897, or 8%. 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, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	625,098	561,892	149,672	160,189	774,770	722,081	7%
Operating grants & contributions	1,087,371	817,411	128,611	106,060	1,215,982	923,471	32%
Capital grants & contributions	68,223	-	-	-	68,223	-	-
General Revenues:							
Property taxes	2,056,040	1,971,648	-	-	2,056,040	1,971,648	4%
Income Surtax	292,925	277,076	-	-	292,925	277,076	6%
Statewide sales & service tax	319,223	323,328	-	-	319,223	323,328	-1%
Unrestricted state grants	1,964,856	2,422,936	-	-	1,964,856	2,422,936	-19%
Unrestricted investment earnings	41,762	97,740	-	1,936	41,762	99,676	-58%
Other revenue (loss)	22,328	20,487	-	-	22,328	20,487	9%
Total Revenues	6,477,826	6,492,518	278,283	268,185	6,756,109	6,760,703	<-1%

Expenses:							
Instruction	4,031,134	3,860,179	-	-	4,031,134	3,860,179	4%
Support services	1,530,662	1,453,621	-	-	1,530,662	1,453,621	5%
Non-instructional programs	-	8	260,973	253,994	260,973	254,002	3%
Other expenditures	517,838	435,085	-	-	517,838	435,085	19%
Total expenses	<u>6,079,634</u>	<u>5,748,893</u>	<u>260,973</u>	<u>253,994</u>	<u>6,340,607</u>	<u>6,002,887</u>	<u>6%</u>
CHANGE IN NET ASSETS	398,192	743,625	17,310	14,191	415,502	757,816	-45%
Net assets beginning of year	<u>6,319,163</u>	<u>5,575,538</u>	<u>121,864</u>	<u>107,673</u>	<u>6,441,027</u>	<u>5,683,211</u>	<u>13%</u>
Net assets end of year	<u>6,717,355</u>	<u>6,319,163</u>	<u>139,174</u>	<u>121,864</u>	<u>6,856,529</u>	<u>6,441,027</u>	<u>6%</u>

Property tax and unrestricted state grants account for 59% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,477,826 and expenses were \$6,079,634. 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 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
	\$	\$	\$	\$
Instruction	4,031,134	3,860,179	2,603,684	2,736,441
Support Services	1,530,662	1,453,621	1,489,548	1,406,300
Non-instructional Programs	-	8	-	8
Other Expenses	517,838	435,085	205,710	226,841
TOTAL	<u>6,079,634</u>	<u>5,748,893</u>	<u>4,298,942</u>	<u>4,369,590</u>

- The cost financed by users of the District's programs was \$625,098.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,087,371.
- The net cost of governmental activities was financed with \$2,668,188 in property and other taxes and \$1,964,856 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$278,283 and expenses were \$260,973. 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, 2010, the District showed revenues increasing 4% and expenditures increasing only 3% 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 \$3,923,440 compared to last year's ending fund balances of \$6,181,556.

Governmental Fund Highlights

The District's Governmental Fund combined fund balance decreased in fiscal year 2010 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. The State's implementation of the across-the-board cut in funding as well as the decrease in enrollment resulted in a decrease in revenues.
- The General Fund balance increased from \$1,323,224 to \$1,420,702 for a difference of \$97,478. 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 from \$282,333 in fiscal year 2009 to \$300,021 in fiscal year 2010 for an increase of \$17,688. 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 from \$411,710 in fiscal year 2009 to \$464,533 in fiscal year 2010 for an increase of \$52,823.
- 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 2010 for roof repairs and purchase of a new bus.

- 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 move 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 decreased \$2,493,786 during fiscal year 2010. Construction of a new PK-4 facility to replace the current 1915 elementary building was commenced in the spring of fiscal year 2009 with a completion date projected to be in December, 2010. Money from the State Penny Sales Tax revenue receipts were used to begin the repayment schedule of the Revenue Bonds in the amount of \$3,150,000. The State Penny Sales Tax revenue source will remain until 2029 in the East Buchanan Community School District

“Other” Governmental Funds

The “Other” Governmental Funds balance (Activity Fund and Debt Service Fund), has increased over the previous fiscal year by \$8,956 in the Activity Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$121,864 at June 30, 2009 to \$139,174 at June 30, 2010, representing an increase of approximately 14%. 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 2011 along with compliance requirements for the newly implemented Health Kids Act.

BUDGETARY HIGHLIGHTS

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

The District’s receipts were \$245,668 less than budgeted receipts.

Total expenditures were less than budgeted, due primarily to the District’s budget for the General Fund. It is the District’s practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District’s certified budget should always exceed actual expenditures for the year.

The district’s certified budget was not exceeded during fiscal 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested approximately \$6.02 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 78% 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 \$201,666.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010
	Activities		Activities		School District		
	2010	2009	2010	2009	2010	2009	
	\$	\$	\$	\$	\$	\$	
Land	48,355	48,355	-	-	48,355	48,355	0%
Construction in progress	3,041,396	324,730	-	-	3,041,396	324,730	837%
Buildings	2,471,391	2,564,216	-	-	2,471,391	2,564,217	-4%
Improvements	212,096	227,517	-	-	212,096	227,517	-7%
Equipment & Furniture	228,298	212,461	25,234	11,893	253,532	224,354	13%
TOTAL	6,001,536	3,377,279	25,234	11,893	6,026,770	3,389,173	78%

Long-Term Debt

At June 30, 2010, the District had \$3,435,288 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 2009-2010
	2010	2009	
	\$	\$	
Capital loan notes	-	42,941	-100%
Revenue bonds	3,150,000	3,150,000	0%
Termination benefits	235,464	252,757	-7%
Compensated absences	49,824	37,811	32%
Used bus loan	-	21,420	-100%
	3,435,288	3,504,929	-2%

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 2009 enrollment decreased by 16.9 students (3.02%) to 542.0. The September 2009 student enrollment count drives the state funding formula for the 2010 school year.
- The District has experienced declining enrollment for the past eight 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 10% across the board cut and it is expected that more cuts will be mandated in fiscal year 2011. 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 2009 which allowed for his replacement at a much lower salary in fiscal year 2010.
- 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 10% 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, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,387,685	126,909	4,514,594
Receivables:			
Property tax:			
Delinquent	25,142	-	25,142
Succeeding year	2,189,496	-	2,189,496
Accounts	-	1,566	1,566
Due from other governments	408,331	-	408,331
Inventories	-	6,633	6,633
Unamortized bond issue costs	65,430	-	65,430
Capital assets, net of accumulated depreciation	6,001,536	25,234	6,026,770
Total assets	13,077,620	160,342	13,237,962
Liabilities			
Accounts payable	278,107	157	278,264
Salaries and benefits payable	375,068	18,058	393,126
Accrued interest payable	71,021	-	71,021
Deferred revenue:			
Succeeding year property tax	2,189,496	-	2,189,496
Other	-	2,953	2,953
Long-term liabilities:			
Portion due within one year:			
Termination benefits	74,852	-	74,852
Compensated absences	16,608	-	16,608
Portion due after one year:			
Unamortized bond premium	11,285	-	11,285
Revenue bonds payable	3,150,000	-	3,150,000
Termination benefits	160,612	-	160,612
Compensated absences	33,216	-	33,216
Total liabilities	6,360,265	21,168	6,381,433

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	3,284,870	25,234	3,310,104
Restricted for:			
Management levy	64,557	-	64,557
Physical plant and equipment levy	464,533	-	464,533
Other special revenue purposes	88,915	-	88,915
Debt service	271,642	-	271,642
Sales tax capital projects	873,272	-	873,272
Unrestricted	<u>1,669,566</u>	<u>113,940</u>	<u>1,783,506</u>
Total net assets	<u><u>6,717,355</u></u>	<u><u>139,174</u></u>	<u><u>6,856,529</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Governmental activities:				
Instruction:				
Regular	2,359,030	387,450	658,310	-
Special	990,547	-	90,738	-
Other	681,557	196,534	94,418	-
	<u>4,031,134</u>	<u>583,984</u>	<u>843,466</u>	<u>-</u>
Support services:				
Student	84,388	-	-	-
Instructional staff	185,701	-	-	-
Administration	549,082	-	-	-
Operation and maintenance of plant	395,373	-	-	-
Transportation	316,118	41,114	-	-
	<u>1,530,662</u>	<u>41,114</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	21,095	-	-	68,223
Long-term debt interest	143,981	-	-	-
AEA flowthrough	243,905	-	243,905	-
Depreciation (unallocated)*	108,857	-	-	-
	<u>517,838</u>	<u>-</u>	<u>243,905</u>	<u>68,223</u>
Total governmental activities	6,079,634	625,098	1,087,371	68,223
Business type activities:				
Non-instructional programs:				
Food service operations	260,973	149,672	128,611	-
Total	6,340,607	774,770	1,215,982	68,223
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
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
\$	\$	\$
(1,313,270)	-	(1,313,270)
(899,809)	-	(899,809)
(390,605)	-	(390,605)
<u>(2,603,684)</u>	<u>-</u>	<u>(2,603,684)</u>
(84,388)	-	(84,388)
(185,701)	-	(185,701)
(549,082)	-	(549,082)
(395,373)	-	(395,373)
(275,004)	-	(275,004)
<u>(1,489,548)</u>	<u>-</u>	<u>(1,489,548)</u>
47,128	-	47,128
(143,981)	-	(143,981)
-	-	-
(108,857)	-	(108,857)
<u>(205,710)</u>	<u>-</u>	<u>(205,710)</u>
(4,298,942)	-	(4,298,942)
-	17,310	17,310
<u>(4,298,942)</u>	<u>17,310</u>	<u>(4,281,632)</u>
1,856,639	-	1,856,639
199,401	-	199,401
292,925	-	292,925
319,223	-	319,223
1,964,856	-	1,964,856
41,762	-	41,762
22,328	-	22,328
<u>4,697,134</u>	<u>-</u>	<u>4,697,134</u>
398,192	17,310	415,502
<u>6,319,163</u>	<u>121,864</u>	<u>6,441,027</u>
<u>6,717,355</u>	<u>139,174</u>	<u>6,856,529</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,706,183	1,766,640	914,862	4,387,685
Receivables:				
Property tax:				
Delinquent	20,310	-	4,832	25,142
Succeeding year	1,795,024	-	394,472	2,189,496
Due from other governments	323,112	85,219	-	408,331
	<u>3,844,629</u>	<u>1,851,859</u>	<u>1,314,166</u>	<u>7,010,654</u>
Total assets	<u>3,844,629</u>	<u>1,851,859</u>	<u>1,314,166</u>	<u>7,010,654</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	9,292	261,315	7,500	278,107
Salaries and benefits payable	375,068	-	-	375,068
Deferred revenue:				
Succeeding year property tax	1,795,024	-	394,472	2,189,496
Income surtax	244,543	-	-	244,543
Total liabilities	<u>2,423,927</u>	<u>261,315</u>	<u>401,972</u>	<u>3,087,214</u>
Fund balances:				
Reserved for:				
Debt service	-	283,938	58,725	342,663
Unreserved, undesignated reported in:				
General fund	570,702	-	-	570,702
Special revenue funds	-	-	853,469	853,469
Capital projects funds	-	1,306,606	-	1,306,606
Unreserved, designated	850,000	-	-	850,000
Total fund balances	<u>1,420,702</u>	<u>1,590,544</u>	<u>912,194</u>	<u>3,923,440</u>
Total liabilities and fund balances	<u>3,844,629</u>	<u>1,851,859</u>	<u>1,314,166</u>	<u>7,010,654</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	3,923,440
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,001,536
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	244,543
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	65,430
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.	(71,021)
Long-term liabilities, including bonds payable, bond premiums, compensated absences, and termination benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,446,573)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,717,355</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,948,187	319,223	389,061	2,656,471
Tuition	211,718	-	-	211,718
Other	251,217	57,726	222,178	531,121
State sources	2,550,205	-	232	2,550,437
Federal sources	501,790	-	-	501,790
Total revenues	<u>5,463,117</u>	<u>376,949</u>	<u>611,471</u>	<u>6,451,537</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,277,270	-	66,786	2,344,056
Special	990,547	-	-	990,547
Other	495,293	-	186,264	681,557
	<u>3,763,110</u>	<u>-</u>	<u>253,050</u>	<u>4,016,160</u>
Support services:				
Student	84,388	-	-	84,388
Instructional staff	160,455	-	25,246	185,701
Administration	489,349	-	44,246	533,595
Operation and maintenance of plant	366,233	-	28,098	394,331
Transportation	259,821	-	106,054	365,875
	<u>1,360,246</u>	<u>-</u>	<u>203,644</u>	<u>1,563,890</u>
Other expenditures:				
Facilities acquisition	-	2,716,666	21,095	2,737,761
Long-term debt:				
Principal	-	-	64,361	64,361
Interest and fiscal charges	-	-	98,148	98,148
AEA flowthrough	243,905	-	-	243,905
	<u>243,905</u>	<u>2,716,666</u>	<u>183,604</u>	<u>3,144,175</u>
Total expenditures	<u>5,367,261</u>	<u>2,716,666</u>	<u>640,298</u>	<u>8,724,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>95,856</u>	<u>(2,339,717)</u>	<u>(28,827)</u>	<u>(2,272,688)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	417	-	12,950	13,367
Sales of materials and equipment	1,205	-	-	1,205
Operating transfers in	-	-	221,234	221,234
Operating transfers out	-	(154,069)	(67,165)	(221,234)
Total other financing sources (uses)	<u>1,622</u>	<u>(154,069)</u>	<u>167,019</u>	<u>14,572</u>
Net change in fund balances	97,478	(2,493,786)	138,192	(2,258,116)
Fund balances beginning of year	<u>1,323,224</u>	<u>4,084,330</u>	<u>774,002</u>	<u>6,181,556</u>
Fund balances end of year	<u>1,420,702</u>	<u>1,590,544</u>	<u>912,194</u>	<u>3,923,440</u>

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(2,258,116)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	2,821,841	
Depreciation expense	<u>(197,584)</u>	2,624,257
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.		11,717
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(3,474)
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.		64,361
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		599
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.		(46,432)
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	17,293	
Compensated absences	<u>(12,013)</u>	<u>5,280</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>398,192</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	126,909
Accounts receivable	1,566
Inventories	6,633
Capital assets, net of accumulated depreciation	<u>25,234</u>
Total assets	<u>160,342</u>
Liabilities	
Accounts payable	157
Salaries and benefits payable	18,058
Deferred revenue	<u>2,953</u>
Total liabilities	<u>21,168</u>
Net assets	
Invested in capital assets	25,234
Unrestricted	<u>113,940</u>
Total net assets	<u><u>139,174</u></u>

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

Year ended June 30, 2010

	Nonmajor School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for service	149,672
Operating expenses:	
Non-instructional programs:	
Salaries	85,562
Benefits	29,048
Supplies	140,937
Depreciation	4,082
Other	1,344
Total operating expenses	260,973
Operating gain (loss)	(111,301)
Non-operating revenues:	
State sources	2,995
Federal sources	125,616
Total non-operating revenues	128,611
Change in net assets	17,310
Net assets beginning of year	121,864
Net assets end of year	139,174

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	148,631
Cash payments to employees for services	(114,098)
Cash payments to suppliers for goods or services	(120,949)
Net cash used by operating activities	<u>(86,416)</u>
Cash flows from non-capital financing activities:	
State grants received	2,995
Federal grants received	103,067
Net cash provided by non-capital financing activities	<u>106,062</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(17,423)</u>
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,223
Cash and cash equivalents at beginning of year	<u>124,686</u>
Cash and cash equivalents at end of year	<u><u>126,909</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(111,301)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	22,549
Depreciation	4,082
Decrease (increase) in inventories	(1,374)
Decrease (increase) in accounts receivable	(848)
(Decrease) increase in accounts payable	157
(Decrease) increase in salaries and benefits payable	512
(Decrease) increase in deferred revenue	(193)
Net cash used by operating activities	<u><u>(86,416)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$22,549 of federal commodities.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-45 years
Improvements other than buildings	20 years
Intangibles	3-10 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.

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, 2010. 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, 2010 expenditures did not exceed the budget.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	346,447

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, 2010 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Governmental Funds	Nonmajor Governmental Funds	
Debt Service Fund	Physical Plant and Equipment Levy Fund	67,165
Debt Service Fund	Capital Projects Fund	154,069

These transfers moved revenues from the funds 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.5%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
2009-10A	6/25/09	6/23/10	-	-	-	-

During the year ended June 30, 2010, the District paid \$8,488 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 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	2,716,666	-	3,041,396
Land	48,355	-	-	48,355
Total capital assets not being deprec.	<u>373,085</u>	<u>2,716,666</u>	<u>-</u>	<u>3,089,751</u>
Capital assets being depreciated:				
Buildings	3,947,758	-	15,000	3,932,758
Improvements other than buildings	364,892	-	-	364,892
Furniture and equipment	1,190,304	105,175	144,474	1,151,005
Total capital assets being deprec.	<u>5,502,954</u>	<u>105,175</u>	<u>159,474</u>	<u>5,448,655</u>

Less accumulated depreciation for:				
Buildings	1,383,542	92,825	15,000	1,461,367
Improvements other than buildings	137,375	15,421	-	152,796
Furniture and equipment	<u>977,843</u>	<u>89,338</u>	<u>144,474</u>	<u>922,707</u>
Total accumulated depreciation	<u>2,498,760</u>	<u>197,584</u>	<u>159,474</u>	<u>2,536,870</u>
 Total capital assets being depreciated, net	<u>3,004,194</u>	<u>(92,409)</u>	<u>-</u>	<u>2,911,785</u>
 Governmental activities capital assets, net	<u>3,377,279</u>	<u>2,624,257</u>	<u>-</u>	<u>6,001,536</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	54,045	17,423	-	71,468
Less accumulated depreciation	<u>42,152</u>	<u>4,082</u>	<u>-</u>	<u>46,234</u>
 Business type activities capital assets, net	<u>11,893</u>	<u>13,341</u>	<u>-</u>	<u>25,234</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	48,947
Support services:	
Operation and maintenance of plant services	1,042
Transportation	<u>38,738</u>
	88,727
Unallocated depreciation	<u>108,857</u>
 Total depreciation expense – governmental activities	<u>197,584</u>
 Business type activities:	
Food services	<u>4,082</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue Bonds	3,150,000	-	-	3,150,000	-
Capital loan notes	42,941	-	42,941	-	-
Used bus loan	21,420	-	21,420	-	-
Termination benefits	252,757	49,493	66,786	235,464	74,852
Compensated absences	37,811	12,013	-	49,824	16,608
Total	3,504,929	61,506	131,147	3,435,288	91,460

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of continuous 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, 2010, the District has obligations to 13 participants with a total liability of \$235,464. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$66,786.

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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	3.40	140,000	128,783	268,783
2016-2020	3.40-4.00	760,000	564,742	1,324,742
2021-2025	4.40-5.00	875,000	389,223	1,264,223
2026-2030	5.15-5.35	1,055,000	144,576	1,199,576
		<u>3,150,000</u>	<u>1,780,363</u>	<u>4,930,363</u>

The District has pledged future statewide sales, services and use 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, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,930,363. For the current year, no principal and \$94,695 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$319,223.

The resolution providing for the issuance of the statewide sales, services and use tax 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$184,022, \$167,400 and \$151,230 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	54,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>54,000</u>
Contributions made	<u>54,000</u>
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>-</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$54,000 to the medical plan. Plan members eligible for benefits contributed \$70,000, or 57% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	54,000	100%	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$547,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$547,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,550,000, and the ratio of the UAAL to covered payroll was 21.5%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The

projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$9,190 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. 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.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$243,905 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into a \$3,318,106 contract for an elementary addition. As of June 30, 2010 costs of \$2,842,505 had been incurred against the contract. The balance remaining at June 30, 2010 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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,399,310	149,672	3,548,982	3,486,763	3,486,763	62,219
State sources	2,550,437	2,995	2,553,432	3,229,725	3,229,725	(676,293)
Federal sources	501,790	125,616	627,406	259,000	259,000	368,406
Total revenues	<u>6,451,537</u>	<u>278,283</u>	<u>6,729,820</u>	<u>6,975,488</u>	<u>6,975,488</u>	<u>(245,668)</u>
Expenditures/Expenses:						
Instruction	4,016,160	-	4,016,160	4,070,000	4,170,000	153,840
Support services	1,563,890	-	1,563,890	1,614,000	1,750,000	186,110
Non-instructional programs	-	260,973	260,973	275,000	285,000	24,027
Other expenditures	3,144,175	-	3,144,175	1,848,113	3,500,000	355,825
Total expenditures/expenses	<u>8,724,225</u>	<u>260,973</u>	<u>8,985,198</u>	<u>7,807,113</u>	<u>9,705,000</u>	<u>719,802</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,272,688)	17,310	(2,255,378)	(831,625)	(2,729,512)	474,134
Other financing sources (uses) net	<u>14,572</u>	-	<u>14,572</u>	-	-	<u>14,572</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(2,258,116)	17,310	(2,240,806)	(831,625)	(2,729,512)	488,706
Balance beginning of year	<u>6,181,556</u>	<u>121,864</u>	<u>6,303,420</u>	<u>3,012,691</u>	<u>3,012,691</u>	<u>3,290,729</u>
Balance end of year	<u><u>3,923,440</u></u>	<u><u>139,174</u></u>	<u><u>4,062,614</u></u>	<u><u>2,181,066</u></u>	<u><u>283,179</u></u>	<u><u>3,779,435</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 \$1,897,887.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT
 Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	547,000	547,000	0.0%	2,550,000	21.5%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	297,664	88,915	469,558	58,725	914,862
Receivables:					
Property tax:					
Delinquent	2,357	-	2,475	-	4,832
Succeeding year	190,000	-	204,472	-	394,472
Total assets	<u>490,021</u>	<u>88,915</u>	<u>676,505</u>	<u>58,725</u>	<u>1,314,166</u>
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	-	7,500	-	7,500
Deferred revenue:					
Succeeding year property tax	190,000	-	204,472	-	394,472
Total liabilities	<u>190,000</u>	<u>-</u>	<u>211,972</u>	<u>-</u>	<u>401,972</u>
Fund balances:					
Reserved for debt service	-	-	-	58,725	58,725
Unreserved reported in:					
Special revenue funds	300,021	88,915	464,533	-	853,469
Total fund balances	<u>300,021</u>	<u>88,915</u>	<u>464,533</u>	<u>58,725</u>	<u>912,194</u>
Total liabilities and fund balances	<u>490,021</u>	<u>88,915</u>	<u>676,505</u>	<u>58,725</u>	<u>1,314,166</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	189,660	-	199,401	-	389,061
Other	9,850	195,220	17,108	-	222,178
State sources	113	-	119	-	232
Total revenues	<u>199,623</u>	<u>195,220</u>	<u>216,628</u>	<u>-</u>	<u>611,471</u>
Expenditures:					
Current:					
Instruction:					
Regular	66,786	-	-	-	66,786
Other	-	186,264	-	-	186,264
Support services:					
Instructional staff	25,246	-	-	-	25,246
Administration	44,246	-	-	-	44,246
Operation and maintenance of plant	28,098	-	-	-	28,098
Transportation	17,559	-	88,495	-	106,054
Other expenditures:					
Facilities acquisition	-	-	21,095	-	21,095
Long-term debt:					
Principal	-	-	-	64,361	64,361
Interest and fiscal charges	-	-	-	98,148	98,148
Total expenditures	<u>181,935</u>	<u>186,264</u>	<u>109,590</u>	<u>162,509</u>	<u>640,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,688</u>	<u>8,956</u>	<u>107,038</u>	<u>(162,509)</u>	<u>(28,827)</u>
Other financing sources (uses):					
Compensation for loss of fixed assets	-	-	12,950	-	12,950
Operating transfers in	-	-	-	221,234	221,234
Operating transfers out	-	-	(67,165)	-	(67,165)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(54,215)</u>	<u>221,234</u>	<u>167,019</u>
Net change in fund balances	17,688	8,956	52,823	58,725	138,192
Fund balances beginning of year	<u>282,333</u>	<u>79,959</u>	<u>411,710</u>	<u>-</u>	<u>774,002</u>
Fund balances end of year	<u><u>300,021</u></u>	<u><u>88,915</u></u>	<u><u>464,533</u></u>	<u><u>58,725</u></u>	<u><u>912,194</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	23,114	61,419	64,332	(14)	20,187
Annual	6,084	4,625	6,493	-	4,216
Buccaneer club	2,463	852	799	2,890	5,406
Drama/speech	2,238	7,171	7,732	-	1,677
FBLA	1,065	4,691	4,511	(75)	1,170
Feed store	42	472	468	-	46
Fitness club	1,101	-	135	-	966
Shop club	66	-	-	-	66
Library club	1,874	3,479	5,029	200	524
Marketing	26	-	-	-	26
Music	585	2,033	1,327	35	1,326
Newspaper	886	500	212	-	1,174
Pep band	101	2,040	1,880	-	261
Color guard	559	-	332	-	227
Physics club	326	-	-	-	326
Spanish club	52	1,673	1,297	-	428
Speech	187	1,591	1,656	-	122
Elementary student council	5,555	3,741	1,203	(200)	7,893
Camp Wapsie Y	3,829	5,939	2,620	-	7,148
Softball fund raiser	4,843	12,952	14,258	(2,128)	1,409
Volleyball fund raiser	904	859	880	-	883
Girls basketball fund raiser	433	1,838	1,916	-	355
Girls track fund raiser	55	1,568	1,491	-	132
Boys track fundraiser	13	602	225	-	390
Boys basketball fund raiser	1,557	852	2,131	-	278
MS girls BB	199	1,749	1,740	-	208
Golf	26	1,615	1,592	-	49
Trapshooting fund raiser	12	-	-	-	12
Wrestling fund raiser	1,293	6,217	7,384	215	341
MS boys baseball	5,917	917	6,939	2,254	2,149
Football fund raiser	3,012	7,112	2,626	-	7,498
Music trip fund raiser	7,712	17,251	15,965	(35)	8,963
Sound system fund raiser	3,814	270	870	270	3,484
EB Hoopsters club	217	1,976	840	(656)	697
Lil Buc boys basketball	-	274	142	(83)	49
Class of 2010	3,518	1,095	3,329	(1,284)	-
Class of 2011	649	14,250	10,119	(1,978)	2,802
Class of 2012	465	1,086	3,063	1,978	466
Class of 2013	530	265	-	-	795

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Class of 2014	266	275	-	-	541
Class of 2015	170	35	-	-	205
Class of 2016	-	160	-	-	160
Interest	-	1,394	-	(1,394)	-
Student Ins.	-	481	481	-	-
Advanced placement	137	628	628	(137)	-
National Honor Society	129	500	56	-	573
NHS care project	148	-	-	-	148
Middle school student council	756	4,566	5,188	-	134
Cheerleading club	121	4,145	3,867	-	399
HS student council	326	10,062	8,999	142	1,531
Technology	1,075	-	-	-	1,075
Beginning accruals	(8,491)	-	(8,491)	-	-
Total	<u>79,959</u>	<u>195,220</u>	<u>186,264</u>	<u>-</u>	<u>88,915</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	2,656,471	2,560,455	2,494,844	2,240,472	2,124,201	2,142,510	2,138,653
Tuition	211,718	154,387	182,822	198,534	78,929	108,939	61,589
Other	531,121	515,539	455,892	464,704	423,690	361,979	400,568
State sources	2,550,437	3,012,506	2,747,732	2,612,883	2,461,748	2,370,714	2,272,432
Federal sources	501,790	227,840	158,630	163,531	169,980	239,988	241,422
Total revenues	<u>6,451,537</u>	<u>6,470,727</u>	<u>6,039,920</u>	<u>5,680,124</u>	<u>5,258,548</u>	<u>5,224,130</u>	<u>5,114,664</u>
Expenditures:							
Instruction:							
Regular	2,344,056	2,327,183	2,428,627	2,274,328	2,240,325	2,259,994	2,178,189
Special	990,547	931,942	772,330	710,299	654,472	689,300	757,733
Other	681,557	656,427	504,403	477,960	452,809	488,937	433,991
Support services:							
Student	84,388	92,749	92,170	93,285	88,398	89,026	78,703
Instructional staff	185,701	168,952	157,946	129,403	152,772	89,778	81,494
Administration	533,595	536,855	510,429	649,162	564,177	523,854	556,540
Operation and maintenance	394,331	377,514	382,854	359,808	356,346	343,217	361,179
Transportation	365,875	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	2,737,761	474,158	86,666	142,316	278,586	176,424	377,044
Long-term debt:							
Principal	64,361	86,493	61,845	37,225	65,634	218,625	217,777
Interest and other charges	98,148	5,469	7,737	32,357	1,430	10,402	11,225
AEA flowthrough	243,905	208,244	194,628	186,713	176,569	175,067	176,916
Total expenditures	<u>8,724,225</u>	<u>6,147,866</u>	<u>5,501,312</u>	<u>5,439,925</u>	<u>5,328,190</u>	<u>5,286,291</u>	<u>5,536,379</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY10	<u>35,318</u>
Subtotal Direct			<u>35,318</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	22,473
National School Lunch Program (non-cash)	10.555	FY10	22,549
National School Lunch Program	10.555	FY10	<u>80,594</u>
			<u>125,616</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	52,867
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>29,252</u>
			<u>82,119</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	5,263
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	1,469
Advanced Placement Program	84.330	FY10	56
Improving Teacher Quality State Grants	84.367	FY10	22,984
Grants for State Assessments and Related Activities	84.369	FY10	3,549
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	260,294
Area Education Agency 267:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	28,467
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>62,271</u>
			<u>90,738</u>
Subtotal Indirect			<u>592,088</u>
Total			<u>627,406</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of East Buchanan Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 6, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B, and 10-II-C to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities, and 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

May 6, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
East Buchanan Community School District:

Compliance

We have audited East Buchanan Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of East Buchanan Community School District's major federal programs for the year ended June 30, 2010. East Buchanan Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of East Buchanan Community School District's management. Our responsibility is to express an opinion on East Buchanan Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Buchanan Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Buchanan Community School District's compliance with those requirements.

In our opinion, East Buchanan Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of East Buchanan Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Buchanan Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Buchanan Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-III-A to be a material weakness.

East Buchanan Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit East Buchanan Community School District's response and, accordingly, we express no opinion on the response.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

May 6, 2011

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Title I Part A Cluster:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) East Buchanan Community School District did not qualify as a low-risk auditee.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-II-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, entering invoices and preparing checks, 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.

10-II-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.

10-II-C Signature Plate: We noted that a check signing machine with a plate bearing the signature of the Board President and Board Secretary is used to sign checks. The board secretary has access to both keys for the check signing machine. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature machine is used, the control of the two keys needed to use the machine should be handled by two individuals and a log of the check numbers signed should be maintained.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to limit access to the check signing machine.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies

CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

10-III-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, entering invoices and preparing checks, 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.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- 10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- 10-IV-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.
- 10-IV-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.
- 10-IV-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 10-IV-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.
- 10-IV-F Board Minutes: Except as explained in comment 10-IV-M, we noted no transactions requiring Board approval that had not been approved by the Board.
- 10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-IV-I 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.
- 10-IV-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to 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.

District 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.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$
		4,084,330
Statewide sales, services and use tax	319,223	
Interest	<u>57,726</u>	376,949
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	2,716,666	
Debt service for school infrastructure:		
Revenue debt	<u>154,069</u>	<u>2,870,735</u>
Ending balance		<u>1,590,544</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service levy	1.02579	154,069
Physical plant and equipment levy	1.09960	165,154

10-IV-M Policy on Payment of Bills Prior to Board Approval: We noted that the board approves 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.