

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District, Lansing, Iowa, as of and for the year ended June 30, 2011, 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 Eastern Allamakee Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2012, on our consideration of Eastern Allamakee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eastern Allamakee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010, (which are not presented herein). For 2007, 2006 and 2005 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. We issued unqualified opinions for 2010, 2009, 2008 and 2004. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

March 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Eastern Allamakee Community School District's GASB 34 annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ended June 30, 2011. The analysis focuses on the district's financial performance as a whole.

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

2011 FINANCIAL HIGHLIGHTS

The general fund revenues increased from \$3,869,816 in fiscal 2010 to \$4,250,537 in fiscal 2011 while the general fund expenditures decreased from \$4,059,842 in fiscal 2010 to \$4,004,947 in fiscal 2011. This resulted in an increase in the district's general fund balance from \$400,211 in fiscal 2010 to a fund balance of \$646,158 in fiscal 2011 that is an increase of 61 percent from the previous year.

The increase in general fund revenues was attributed to an increase in state and local funds. The decrease in expenditures was attributed to a small decrease in both the cost of regular instruction and support services.

The district receives Statewide Sales Tax that is being used for repayment of the Sales, Service and Use tax Revenue bonds issued to construct the Sports Complex, purchase of computers, lease of buses and other minor building repairs and maintenance.

USING THIS ANNUAL REPORT

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

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

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

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

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

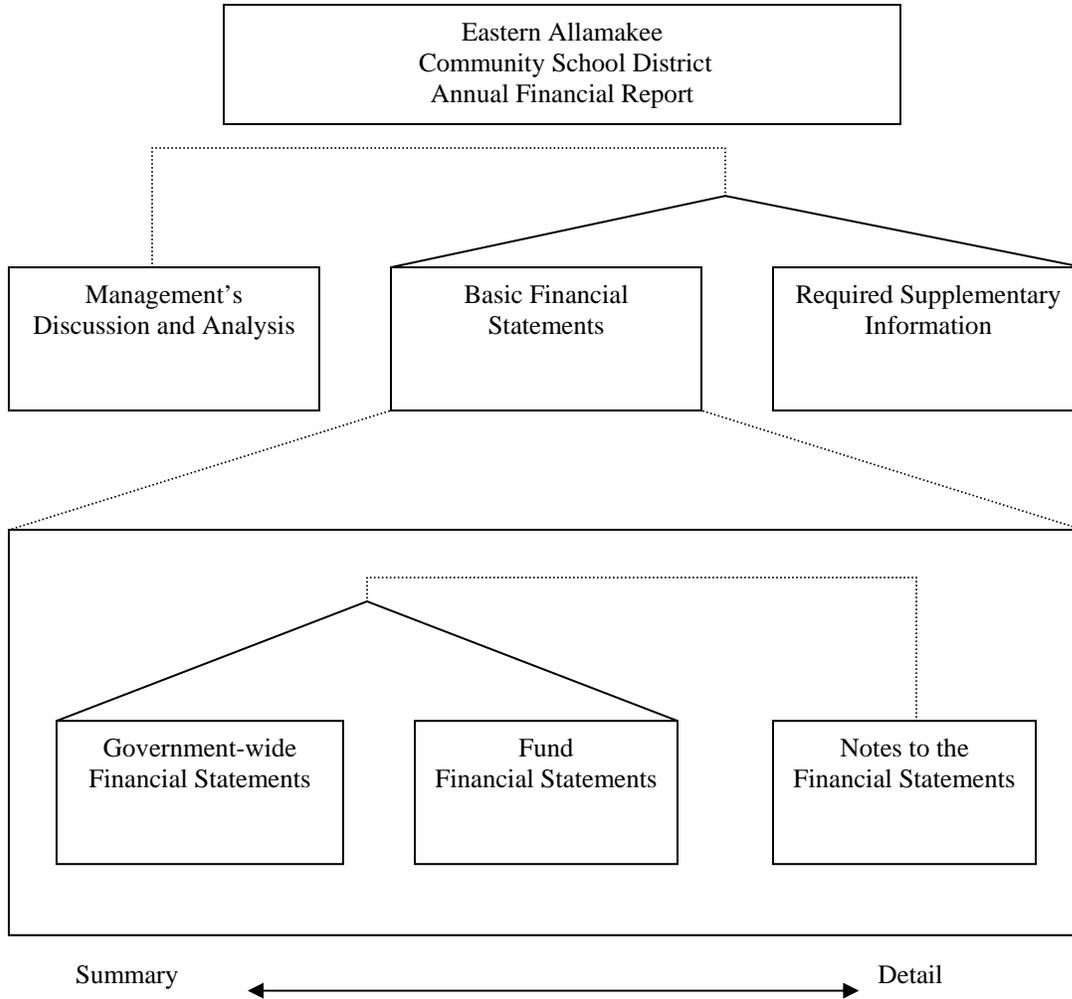
Fiduciary fund statements provide financial information about activities for which Eastern Allamakee Community School District acts solely as an agent or custodian for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

Figure A-1



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

Fiduciary Funds

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Government Funds: Most of the District's basic services are included in government funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the government funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information in exhibits following the governmental funds statements explains the relationship of differences between the two statements.

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

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the school nutrition fund.

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

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

Financial Analysis of the District as a Whole

Net assets. The District's total net assets showed a slight increase overall for the year ending June 30, 2011 compared to June 30, 2010. The increase was in three areas: capital assets, net liabilities and restricted net assets.

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2010	2011	2010	2011	2010	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,483,718	4,420,498	8,799	10,526	4,492,517	4,431,024	-1%
Capital assets	7,505,905	7,933,240	33,557	37,606	7,539,462	7,970,846	6%
Total assets	11,989,623	12,353,738	42,356	48,132	12,031,979	12,401,870	3%
Long-term liabilities	6,152,387	5,813,135	871	1,696	6,153,258	5,814,831	-5%
Other liabilities	2,726,362	2,854,261	17,379	19,570	2,743,741	2,873,831	5%
Total liabilities	8,878,749	8,667,396	18,250	21,266	8,896,999	8,688,662	-2%
Net Assets:							
Invested in capital assets, net of related debt	2,494,308	2,533,240	33,557	37,606	2,527,865	2,570,846	2%
Restricted	363,920	693,596	-	-	363,920	693,596	91%
Unrestricted	252,646	459,506	(9,451)	(10,740)	243,195	448,766	85%
TOTAL NET ASSETS	3,110,874	3,686,342	24,106	26,866	3,134,980	3,713,208	18%

Long-term liabilities decreased due to payments on the General Obligation bonds and the School Infrastructure Sales Service & Use Tax Revenue Bonds.

Invested in capital assets net of related debt increased near completion of sports complex and equipment purchase.

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 \$329,676 or 91% over the prior year. The increase was the sales tax revenue bonds capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$205,571 or 85%.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	
Revenues							
Program Revenues:							
Charges for services	330,074	427,646	135,081	132,351	465,155	559,997	20%
Operating grants & contributions	932,680	890,700	102,325	104,374	1,035,005	995,074	-4%
Capital grants & contributions	32,110	42,073	-	-	32,110	42,073	31%
General Revenues:							
Property taxes	2,024,269	2,140,323	-	-	2,024,269	2,140,323	6%
Income surtax	168,068	139,805	-	-	168,068	139,805	-17%
Statewide sales & services tax	304,032	295,206	-	-	304,032	295,206	-3%
Unrestricted state grants	1,054,208	1,382,814	-	-	1,054,208	1,382,814	31%
Unrestricted investment earnings	14,249	11,288	125	117	14,374	11,405	-21%
Other revenue	4,699	357	-	-	4,699	357	-92%
Total Revenues	4,864,389	5,330,212	237,531	236,842	5,101,920	5,567,054	9%
Expenses:							
Instruction	2,716,534	2,688,961	-	-	2,716,534	2,688,961	-1%
Support services	1,343,978	1,441,069	-	-	1,343,978	1,441,069	7%
Non-instructional programs	3,105	3,828	239,585	234,082	242,690	237,910	-2%
Other expenditures	777,227	620,886	-	-	777,227	620,886	-20%
Total expenses	4,840,844	4,754,744	239,585	234,082	5,080,429	4,988,826	-2%
Change in net assets before Loss disposal assets/ transfers	23,545	575,468	(2,054)	2,760	21,491	578,228	2591%
Loss disposal assets/transfers	(19,584)	-	-	-	(19,584)	-	100%
CHANGE IN NET ASSETS	3,961	575,468	(2,054)	2,760	1,907	578,228	30221%
Net assets beginning of year	3,106,913	3,110,874	26,160	24,106	3,133,073	3,134,980	<1%
Net assets end of year	3,110,874	3,686,342	24,106	26,866	3,134,980	3,713,208	18%

For the 2009-2010 school year property tax and unrestricted state grants account for 63 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83 percent of total expenses. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$5,330,212 while expenses amounted to \$4,754,744.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2011	Net Cost of Services 2010	Net Cost of Services 2011
	\$	\$	\$	\$
Instruction	2,716,534	2,688,961	1,634,091	1,570,908
Support Services	1,343,978	1,441,069	1,336,068	1,434,955
Non-instructional Programs	3,105	3,828	3,105	(4,867)
Other Expenses	777,227	620,886	572,716	393,329
TOTAL	4,840,844	4,754,744	3,545,980	3,394,325

A portion of the cost financed by users of the District's programs was \$427,646.

The federal and state government subsidized certain programs with grants and contributions totaling \$890,700.

The net cost portion of governmental activities was financed with \$2,140,323 in property tax and \$1,382,814 in unrestricted state foundation aid.

Business-Type Activities

Revenues of the District's business-type activities were \$236,842 and expenses were \$234,082 for a gain of \$2,760. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Eastern Allamakee 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 \$1,359,932 below last year's ending fund balances of \$1,532,873.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The increase is from the negotiated salary & benefits settlement and existing expenditures of the district. The District looks at all funding to work hard to remain solvent at year's end.
- The General Fund balance increased from \$400,211 to \$646,158.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.

- The Physical Plant and Equipment Levy account balance decreased from \$68,800 at June 30, 2010 to \$53,042 at June 30, 2011.
- The Statewide Sales Tax account balance decreased from \$772,166 at June 30, 2010 to \$342,178 at June 30, 2011.
- The Debt Service Fund balance increased from \$99,447 at the beginning of the year to \$144,313 at the end of the year.

Proprietary Fund Highlights

The school nutrition fund increased by an amount of \$2,760 from June 30, 2010 to June 30, 2011. This left the account with a total net asset of \$26,866 or an increase of 11%.

Budgetary Highlights

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

The budget was amended once to accommodate expenditures throughout the district's funds.

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

Capital Assets

The Eastern Allamakee Community School District had a total of \$9,466,056 of capital assets being depreciated. Of this amount \$2,236,570 was to total accumulated depreciation which left a net amount of \$7,229,486 total capital assets being depreciated.

At June 30, 2011, the District is still working to complex the sports complex construction project renovating the football field and a 4-lane track.

Figure A-6

	<i>Capital Assets (net of depreciation)</i>						Percentage Change 2010-2011
	Governmental Activities		Business type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	7,167	7,167	-	-	7,167	7,167	0%
Construction in progress	696,587	185,019	-	-	696,587	185,019	276%
Buildings	6,656,686	6,804,960	-	-	6,656,686	6,804,960	-2%
Improvements	54,101	56,556	-	-	54,101	56,556	-4%
Equipment & Furniture	518,699	452,203	37,606	33,557	556,305	485,760	15%
TOTAL	7,933,240	7,505,905	37,606	33,557	7,970,846	7,539,462	6%

Long Term Debt

At year-end, the District had \$5,726,766 in general obligation bonds, revenue bonds, termination benefits, compensated absences and net OPEB liability. This represents a decrease of \$,328,643 from year 2010. The district continues to make payments on the general obligation bonds which began in 2006 and the district began making payments on the Infrastructure Sales, Service and Use Tax Revenue Bonds which began in 2010. Early retirement package for the certified staff and support staff were approved in 2006, 2007, 2008, 2009 and 2010. For 2011, the district approved early retirement packages in the amount of \$72,869.

Figure A-7

Outstanding Long-Term Obligations

	<u>Total Eastern Allamakee CSD</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
	<u>\$</u>	<u>\$</u>	<u>2010-2011</u>
Governmental activities:			
General obligation bonds	4,135,000	4,370,000	-5%
Revenue bonds	1,265,000	1,350,000	-6%
Termination benefits	295,361	317,502	-7%
Compensated absences	8,237	6,008	37%
Net OPEB liability	21,472	11,028	95%
	<u>5,725,070</u>	<u>6,054,538</u>	<u>-5%</u>
Business type activities:			
Net OPEB liability	<u>1,696</u>	<u>871</u>	<u>95%</u>

Factors Bearing on the District's Future

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

The district is concerned with declining student enrollment. The district is aware that the incoming kindergarten classes are significantly smaller than the classes graduating, thus causing a decrease in enrollment in the future years.

The district recognizes that allowable growth of 0 percent is significant to the district's financial health.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and private investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Marian Verdon or Janet Heiderscheid, School Board Secretaries/Treasurers/Business Managers, Eastern Allamakee Community School District, 569 Center Street, Lansing, IA 52151.

BASIC FINANCIAL STATEMENTS

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,690,752	3,931	1,694,683
Receivables:			
Property tax:			
Delinquent	21,694	-	21,694
Succeeding year	2,307,383	-	2,307,383
Accounts	1,055	2,042	3,097
Other	53	-	53
Due from other governments	294,580	-	294,580
Inventories	-	4,553	4,553
Bond issue costs	104,981	-	104,981
Capital assets, net of accumulated depreciation	7,933,240	37,606	7,970,846
Total assets	12,353,738	48,132	12,401,870
Liabilities			
Accounts payable	38,770	-	38,770
Salaries and benefits payable	403,805	16,632	420,437
Due to other governments	2,463	-	2,463
Accrued interest payable	50,196	-	50,196
Deferred revenue:			
Succeeding year property tax	2,307,383	-	2,307,383
Other	51,644	2,938	54,582
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Revenue bonds payable	100,000	-	100,000
Termination benefits	109,492	-	109,492
Compensated absences	2,746	-	2,746
Portion due after one year:			
General obligation bonds payable	3,890,000	-	3,890,000
Bond premium	88,065	-	88,065
Revenue bonds payable	1,165,000	-	1,165,000
Termination benefits	185,869	-	185,869
Compensated absences	5,491	-	5,491
Net OPEB liability	21,472	1,696	23,168
Total liabilities	8,667,396	21,266	8,688,662

See notes to financial statements.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,533,240	37,606	2,570,846
Restricted for:			
Categorical funding	176,235	-	176,235
Physical plant and equipment levy	53,042	-	53,042
For special purposes by donors	36,592	-	36,592
Student activities	21,432	-	21,432
Debt service	199,117	-	199,117
School Infrastructure	207,178	-	207,178
Unrestricted	459,506	(10,740)	448,766
Total net assets	<u>3,686,342</u>	<u>26,866</u>	<u>3,713,208</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,756,638	219,235	564,617	-
Special	376,524	90,392	82,162	-
Other	555,799	103,210	58,437	-
	<u>2,688,961</u>	<u>412,837</u>	<u>705,216</u>	<u>-</u>
Support services:				
Student	174,052	-	-	-
Instructional staff	102,668	-	-	-
Administration	407,357	-	-	-
Operation and maintenance of plant	431,509	1,000	-	-
Transportation	325,483	5,114	-	-
	<u>1,441,069</u>	<u>6,114</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>3,828</u>	<u>8,695</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,003	-	9,784	42,073
Long-term debt interest	233,403	-	-	-
AEA flowthrough	175,700	-	175,700	-
Depreciation (unallocated)*	193,780	-	-	-
	<u>620,886</u>	<u>-</u>	<u>185,484</u>	<u>42,073</u>
Total governmental activities	<u>4,754,744</u>	<u>427,646</u>	<u>890,700</u>	<u>42,073</u>
Business type activities:				
Non-instructional programs:				
Food service operations	234,082	132,351	104,374	-
Total	<u>4,988,826</u>	<u>559,997</u>	<u>995,074</u>	<u>42,073</u>

General Revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales, services, and use 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 expense of the various programs.

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental</u> <u>Activities</u> <u>\$</u>	<u>Business</u> <u>Type</u> <u>Activities</u> <u>\$</u>	<u>Total</u> <u>\$</u>
(972,786)	-	(972,786)
(203,970)	-	(203,970)
(394,152)	-	(394,152)
<u>(1,570,908)</u>	<u>-</u>	<u>(1,570,908)</u>
(174,052)	-	(174,052)
(102,668)	-	(102,668)
(407,357)	-	(407,357)
(430,509)	-	(430,509)
(320,369)	-	(320,369)
<u>(1,434,955)</u>	<u>-</u>	<u>(1,434,955)</u>
<u>4,867</u>	<u>-</u>	<u>4,867</u>
33,854	-	33,854
(233,403)	-	(233,403)
-	-	-
(193,780)	-	(193,780)
<u>(393,329)</u>	<u>-</u>	<u>(393,329)</u>
<u>(3,394,325)</u>	<u>-</u>	<u>(3,394,325)</u>
<u>-</u>	<u>2,643</u>	<u>2,643</u>
<u>(3,394,325)</u>	<u>2,643</u>	<u>(3,391,682)</u>
1,737,342	-	1,737,342
345,906	-	345,906
57,075	-	57,075
139,805	-	139,805
295,206	-	295,206
1,382,814	-	1,382,814
11,288	117	11,405
357	-	357
<u>3,969,793</u>	<u>117</u>	<u>3,969,910</u>
575,468	2,760	578,228
<u>3,110,874</u>	<u>24,106</u>	<u>3,134,980</u>
<u>3,686,342</u>	<u>26,866</u>	<u>3,713,208</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	976,062	391,111	121,382	202,197	1,690,752
Receivables:					
Property tax:					
Delinquent	15,851	578	3,506	1,759	21,694
Succeeding year	1,714,526	58,792	356,315	177,750	2,307,383
Accounts	703	-	-	352	1,055
Accrued interest	-	-	-	53	53
Interfund receivable	-	10,575	-	-	10,575
Due from other governments	275,594	18,986	-	-	294,580
Total assets	2,982,736	480,042	481,203	382,111	4,326,092
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	12,620	26,030	-	120	38,770
Salaries and benefits payable	403,805	-	-	-	403,805
Due to other governments	2,463	-	-	-	2,463
Interfund payable	-	-	10,575	-	10,575
Deferred revenue:					
Succeeding year property tax	1,714,526	58,792	356,315	177,750	2,307,383
Income surtax	151,520	-	-	-	151,520
Other	51,644	-	-	-	51,644
Total liabilities	2,336,578	84,822	366,890	177,870	2,966,160
Fund balances:					
Restricted for:					
Categorical funding	176,235	-	-	-	176,235
Debt service	-	135,000	114,313	-	249,313
Special purposes by donor	-	-	-	36,562	36,562
Management levy	-	-	-	146,247	146,247
Student activities	-	-	-	21,432	21,432
School infrastructure	-	207,178	-	-	207,178
Physical plant and equipment	-	53,042	-	-	53,042
Unassigned	469,923	-	-	-	469,923
Total fund balances	646,158	395,220	114,313	204,241	1,359,932
Total liabilities and fund balances	2,982,736	480,042	481,203	382,111	4,326,092

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	1,359,932
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,933,240
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	151,520
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.	(50,196)
Bond issue costs are expensed when incurred in the governmental fund financial statements, but for the government-wide financial statements they are capitalized and amortized over the life of the bonds.	104,981
Long-term liabilities, including bonds payable, unamortized bond premiums, compensated absences, termination benefits, and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,813,135)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,686,342</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,712,611	352,281	345,906	173,485	2,584,283
Tuition	193,731	-	-	-	193,731
Other	63,408	90,321	-	116,157	269,886
Intermediate sources	8,695	-	-	-	8,695
State sources	1,870,081	33	200	100	1,870,414
Federal sources	402,011	-	-	-	402,011
Total revenues	<u>4,250,537</u>	<u>442,635</u>	<u>346,106</u>	<u>289,742</u>	<u>5,329,020</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,719,103	29,371	-	93,862	1,842,336
Special	375,425	-	-	-	375,425
Other	441,133	-	-	114,254	555,387
	<u>2,535,661</u>	<u>29,371</u>	<u>-</u>	<u>208,116</u>	<u>2,773,148</u>
Support services:					
Student	173,215	-	-	287	173,502
Instructional staff	65,925	35,333	-	860	102,118
Administration	394,951	-	-	4,531	399,482
Operation and maintenance of plant	389,347	-	-	46,287	435,634
Transportation	270,148	38,121	-	13,841	322,110
	<u>1,293,586</u>	<u>73,454</u>	<u>-</u>	<u>65,806</u>	<u>1,432,846</u>
Non-instructional programs	-	-	-	3,828	3,828
Other expenditures:					
Facilities acquisition	-	572,622	-	-	572,622
Long-term debt:					
Principal	-	-	320,000	-	320,000
Interest and fiscal charges	-	-	224,174	-	224,174
AEA flowthrough	175,700	-	-	-	175,700
	<u>175,700</u>	<u>572,622</u>	<u>544,174</u>	<u>-</u>	<u>1,292,496</u>
Total expenditures	<u>4,004,947</u>	<u>675,447</u>	<u>544,174</u>	<u>277,750</u>	<u>5,502,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>245,590</u>	<u>(232,812)</u>	<u>(198,068)</u>	<u>11,992</u>	<u>(173,298)</u>
Other financing sources (uses):					
Sales of materials and equipment	357	-	-	-	357
Operating transfers in	-	-	212,934	-	212,934
Operating transfers out	-	(212,934)	-	-	(212,934)
Total other financing sources (uses)	<u>357</u>	<u>(212,934)</u>	<u>212,934</u>	<u>-</u>	<u>357</u>
Net change in fund balances	245,947	(445,746)	14,866	11,992	(172,941)
Fund balances beginning of year, as restated	400,211	840,966	99,447	192,249	1,532,873
Fund balances end of year	<u>646,158</u>	<u>395,220</u>	<u>114,313</u>	<u>204,241</u>	<u>1,359,932</u>

See notes to financial statements.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(172,941)
<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	711,351	
Depreciation expense	<u>(284,016)</u>	427,335
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(8,949)
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.		320,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		2,436
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	22,141	
Compensated absences	(2,229)	
Other postemployment benefits	<u>(10,444)</u>	9,468
For governmental fund financial statements bond premiums are recorded as revenue when received, but for the Statement of Activities bond premiums are amortized over the life of the bonds.		9,784
For governmental fund financial statements bond issue costs are recorded as an expenditure when incurred, but for the Statement of Activities bond issue costs are capitalized and amortized over the life of the bonds.		<u>(11,665)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>575,468</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	3,931
Accounts receivable	2,042
Inventories	4,553
Capital assets, net of accumulated depreciation	<u>37,606</u>
Total assets	<u>48,132</u>
Liabilities	
Salaries and benefits payable	16,632
Deferred revenue	2,938
Net OPEB liability	<u>1,696</u>
Total liabilities	<u>21,266</u>
Net assets	
Invested in capital assets	37,606
Unrestricted	<u>(10,740)</u>
Total net assets	<u><u>26,866</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>132,351</u>
Operating expenses:	
Non-instructional programs:	
Salaries	72,733
Benefits	38,156
Purchased services	1,809
Supplies	115,686
Depreciation	5,698
Total operating expenses	<u>234,082</u>
Operating income (loss)	<u>(101,731)</u>
Non-operating revenues:	
State sources	2,007
Federal sources	102,367
Interest income	117
Total non-operating revenues	<u>104,491</u>
Change in net assets	2,760
Net assets beginning of year	<u>24,106</u>
Net assets end of year	<u><u>26,866</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	132,004
Cash payments to employees for services	(109,549)
Cash payments to suppliers for goods or services	(97,029)
Net cash used by operating activities	<u>(74,574)</u>
Cash flows from non-capital financing activities:	
State grants received	2,007
Federal grants received	80,722
Net cash provided by non-capital financing activities	<u>82,729</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(9,747)</u>
Cash flows from investing activities:	
Interest on investments	<u>117</u>
Net increase (decrease) in cash and cash equivalents	(1,475)
Cash and cash equivalents at beginning of year	<u>5,406</u>
Cash and cash equivalents at end of year	<u><u>3,931</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(101,731)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	21,645
Depreciation	5,698
Decrease (increase) in inventories	(1,179)
Decrease (increase) in accounts receivable	(2,023)
(Decrease) increase in salaries and benefits payable	515
(Decrease) increase in deferred revenue	1,676
(Decrease) increase in other postemployment benefits	825
Net cash used by operating activities	<u><u>(74,574)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$21,645 of federal commodities.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	12,548
Accrued interest receivable	<u>18</u>
Total Assets	12,566
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>12,566</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Interest	220
Deductions	
Support services:	
Scholarships awarded	<u> </u> -
Change in net assets	220
Net assets beginning of year	<u> </u> 12,346
Net assets end of year	<u><u> </u></u> 12,566

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Eastern Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Lansing and New Albin, Iowa and the predominately agricultural territory in a portion of Allamakee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eastern Allamakee Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Eastern Allamakee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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	15-50 years
Improvements other than buildings	10-20 years
Intangibles	3-40 years
Furniture and equipment	5-25 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation days for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for used vacation days. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. 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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures did not exceed the amended amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011, the District had an investment in the Iowa Schools Joint Investment Trust, which is valued at an amortized cost of \$17,013 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Capital Projects Fund	Debt Service Fund	10,575

These loans were for cash flow purposes.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service Fund	Capital Projects Fund	212,934

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

5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	7,167	-	-	7,167
Construction in progress	185,019	511,568	-	696,587
	<u>192,186</u>	<u>511,568</u>	<u>-</u>	<u>703,754</u>
Capital assets being depreciated:				
Buildings	8,521,313	40,430	-	8,561,743
Improvements other than buildings	82,703	2,621	-	85,324
Furniture and equipment	662,257	156,732	-	818,989
Total capital assets being deprec.	<u>9,266,273</u>	<u>199,783</u>	<u>-</u>	<u>9,466,056</u>
Less accumulated depreciation for:				
Buildings	1,716,353	188,704	-	1,905,057
Improvements other than buildings	26,147	5,076	-	31,223
Furniture and equipment	210,054	90,236	-	300,290
Total accumulated depreciation	<u>1,952,554</u>	<u>284,016</u>	<u>-</u>	<u>2,236,570</u>
Total capital assets being depreciated, net	<u>7,313,719</u>	<u>(84,233)</u>	<u>-</u>	<u>7,229,486</u>
Governmental activities capital assets, net	<u>7,505,905</u>	<u>427,335</u>	<u>-</u>	<u>7,933,240</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	184,305	9,747	-	194,052
Less accumulated depreciation	<u>150,748</u>	<u>5,698</u>	<u>-</u>	<u>156,446</u>
Business type activities capital assets, net	<u>33,557</u>	<u>4,049</u>	<u>-</u>	<u>37,606</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				66,052
Support services:				
Administration				4,134
Transportation				20,050
				<u>90,236</u>
Unallocated depreciation				<u>193,780</u>
Total depreciation expense – governmental activities				<u>284,016</u>
Business type activities:				
Food services				<u>5,698</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities					
General obligation bonds	4,370,000	-	235,000	4,135,000	245,000
Revenue bonds	1,350,000	-	85,000	1,265,000	100,000
Termination benefits	317,502	72,869	95,010	295,361	109,492
Compensated absences	6,008	2,229	-	8,237	2,746
Net OPEB liability	11,028	10,444	-	21,472	-
Total	6,054,538	85,542	415,010	5,725,070	457,238
Business type activities:					
Net OPEB liability	871	825	-	1,696	-

Termination Benefits

The District offered a voluntary early retirement plan to its employees. To qualify the eligible employee must be age 55 or older and have 15 years of service with the Eastern Allamakee Community School District. The application for early retirement was subject to approval by the Board of Education.

At June 30, 2011, the District has an obligation to 14 participants with a total liability of \$295,361. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$95,010.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	4.10-4.50	245,000	170,434	415,434
2013	4.50	255,000	159,536	414,536
2014	4.50-4.00	265,000	147,949	412,949
2015	4.00	280,000	136,824	416,824
2016	4.00	290,000	125,524	415,524
2017-2021	4.00-4.20	1,635,000	440,796	2,075,796
2022-2024	4.20-4.375	1,165,000	89,593	1,254,593
Total		4,135,000	1,270,656	5,405,656

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of July 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	2.10	100,000	22,160	122,160
2013	2.10	-	21,110	21,110
2014	2.75	125,000	19,391	144,391
2015	2.75	-	17,673	17,673
2016	3.40	145,000	15,208	160,208
2017-2020	3.75-4.20	320,000	32,974	352,974
		<u>690,000</u>	<u>128,516</u>	<u>818,516</u>

Bond Issue of July 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	2.00	-	19,550	19,550
2013	2.60	125,000	17,925	142,925
2014	2.60	-	16,300	16,300
2015	3.10	140,000	14,130	154,130
2016	3.10	-	11,960	11,960
2017-2019	3.60-4.10	310,000	19,100	329,100
		<u>575,000</u>	<u>98,965</u>	<u>673,965</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,350,000 bonds issued in July 2009. The bonds were issued for the purpose of financing a portion of school infrastructure costs. 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 2020. 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 56% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,492,481. For the current year, \$85,000 of principal and \$43,610 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$295,206.

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

- \$135,000 of the proceeds from the bonds 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.

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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$155,821, \$153,863 and \$149,887 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

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 47 active and 4 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 Gundersen Lutheran Health Plan where employees 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	16,636
Interest on net OPEB obligation	297
Adjustment to annual required contribution	<u>(1,220)</u>
Annual OPEB cost	15,713
Contributions made	<u>4,444</u>
Increase in net OPEB obligation	11,269
Net OPEB obligation beginning of year	<u>11,899</u>
Net OPEB obligation end of year	<u>23,168</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, 2011.

For the year ended June 30, 2011, the District contributed \$4,444 to the medical plan.

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, 2011 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	15,514	23%	11,899
June 30, 2011	15,713	28%	23,168

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$120,633, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,633. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,340,000, and the ratio of the UAAL to covered payroll was 9%. As of June 30, 2011, 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 Frozen Entry Age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

9. Risk Management

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

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 \$175,700 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Deficit Fund Balances

At June 30, 2011 the District Nonmajor School Nutrition Fund has a deficit unrestricted net assets of \$10,740.

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
	\$
Gifted and talented	12,075
Mentoring	4,571
Teacher salary supplement	26,051
Core curriculum	23,426
Educator quality, professional development	1,936
Statewide voluntary preschool program	108,176
	176,235

13. Construction Commitment

The District has entered into a \$539,631 contract for a sports complex. As of June 30, 2011 costs of \$518,454 had been incurred against the contract. The balances remaining at June 30, 2011 will be paid as work on the project progresses.

14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	772,166	68,800
Change in fund type classification per implementation of GASB Statement No. 54	68,800	(68,800)
Balances July 1, 2010, as restated	840,966	-

REQUIRED SUPPLEMENTARY INFORMATION

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Amended Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,047,900	132,468	3,180,368	3,056,838	3,056,838	123,530
Intermediate sources	8,695	-	8,695	17,000	17,000	(8,305)
State sources	1,870,414	2,007	1,872,421	2,059,138	2,059,138	(186,717)
Federal sources	402,011	102,367	504,378	369,091	369,091	135,287
Total revenues	<u>5,329,020</u>	<u>236,842</u>	<u>5,565,862</u>	<u>5,502,067</u>	<u>5,502,067</u>	<u>63,795</u>
Expenditures/Expenses:						
Instruction	2,773,148	-	2,773,148	3,029,350	3,322,409	549,261
Support services	1,432,846	-	1,432,846	1,706,500	1,859,217	426,371
Non-instructional programs	3,828	234,082	237,910	253,200	329,660	91,750
Other expenditures	1,292,496	-	1,292,496	1,142,956	1,696,353	403,857
Total expenditures/expenses	<u>5,502,318</u>	<u>234,082</u>	<u>5,736,400</u>	<u>6,132,006</u>	<u>7,207,639</u>	<u>1,471,239</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(173,298)	2,760	(170,538)	(629,939)	(1,705,572)	1,535,034
Other financing sources (uses) net	<u>357</u>	<u>-</u>	<u>357</u>	<u>-</u>	<u>-</u>	<u>357</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(172,941)	2,760	(170,181)	(629,939)	(1,705,572)	1,535,391
Balance beginning of year	<u>1,532,873</u>	<u>24,106</u>	<u>1,556,979</u>	<u>1,018,751</u>	<u>1,018,751</u>	<u>538,228</u>
Balance end of year	<u><u>1,359,932</u></u>	<u><u>26,866</u></u>	<u><u>1,386,798</u></u>	<u><u>388,812</u></u>	<u><u>(686,821)</u></u>	<u><u>2,073,619</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,075,633.

During the year ended June 30, 2011, expenditures did not exceed the amended amounts budgeted.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	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) %
2010	July 1, 2009	-	122,746	122,746	0.0%	1,300,000	9.4%
2011	July 1, 2009	-	120,633	120,633	0.0%	1,340,000	9.0%

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

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity	District Support Trust	
	\$	\$	\$	
Cash and pooled investments	144,488	21,200	36,509	202,197
Receivables:				
Property tax:				
Delinquent	1,759	-	-	1,759
Succeeding year	177,750	-	-	177,750
Accounts	-	352	-	352
Accrued interest	-	-	53	53
Total assets	323,997	21,552	36,562	382,111
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	120	-	120
Deferred revenue:				
Succeeding year property tax	177,750	-	-	177,750
Total liabilities	177,750	120	-	177,870
Fund balances:				
Restricted for:				
Special purposes by donor	-	-	36,562	36,562
Management levy	146,247	-	-	146,247
Student activities	-	21,432	-	21,432
Total fund balances	146,247	21,432	36,562	204,241
Total liabilities and fund balances	323,997	21,552	36,562	382,111

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds			Total
	Management	Student	District	
	Levy	Activity	Support Trust	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	173,485	-	-	173,485
Other	8,132	107,612	413	116,157
State sources	100	-	-	100
Total revenues	<u>181,717</u>	<u>107,612</u>	<u>413</u>	<u>289,742</u>
Expenditures:				
Current:				
Instruction:				
Regular	93,862	-	-	93,862
Other	-	114,254	-	114,254
Support services:				
Student	287	-	-	287
Instructional staff	860	-	-	860
Administration	4,531	-	-	4,531
Operation and maintenance of plant	46,287	-	-	46,287
Transportation	13,841	-	-	13,841
Non-instructional programs	3,828	-	-	3,828
Total expenditures	<u>163,496</u>	<u>114,254</u>	<u>-</u>	<u>277,750</u>
Net change in fund balances	18,221	(6,642)	413	11,992
Fund balances beginning of year, as restated	<u>128,026</u>	<u>28,074</u>	<u>36,149</u>	<u>192,249</u>
Fund balances end of year	<u><u>146,247</u></u>	<u><u>21,432</u></u>	<u><u>36,562</u></u>	<u><u>204,241</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	338,647	52,464	391,111
Receivables:			
Property tax:			
Delinquent	-	578	578
Succeeding year	-	58,792	58,792
Interfund receivable	10,575	-	10,575
Due from other governments	18,986	-	18,986
Total assets	368,208	111,834	480,042
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	26,030	-	26,030
Deferred revenue:			
Succeeding year property tax	-	58,792	58,792
Total liabilities	26,030	58,792	84,822
Fund balances:			
Restricted for:			
Debt service	135,000	-	135,000
School infrastructure	207,178	-	207,178
Physical plant and equipment	-	53,042	53,042
Total fund balances	342,178	53,042	395,220
Total liabilities and fund balances	368,208	111,834	480,042

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	295,206	57,075	352,281
Other	89,823	498	90,321
State sources	-	33	33
Total revenues	<u>385,029</u>	<u>57,606</u>	<u>442,635</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	13,395	15,976	29,371
Support services:			
Instructional staff services	35,333	-	35,333
Transportation services	34,121	4,000	38,121
Other expenditures:			
Facilities acquisition	519,234	53,388	572,622
Total expenditures	<u>602,083</u>	<u>73,364</u>	<u>675,447</u>
Excess (deficiency) of revenues over (under) expenditures	(217,054)	(15,758)	(232,812)
Other financing sources (uses):			
Operating transfers out	<u>(212,934)</u>	<u>-</u>	<u>(212,934)</u>
Net change in fund balance	(429,988)	(15,758)	(445,746)
Fund balances beginning of year, as restated	<u>772,166</u>	<u>68,800</u>	<u>840,966</u>
Fund balance end of year	<u><u>342,178</u></u>	<u><u>53,042</u></u>	<u><u>395,220</u></u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
KHS				
Class of 2008	45	-	45	-
Class of 2009	622	-	622	-
Class of 2011	1,515	29,062	30,635	(58)
Class of 2012	-	4,338	2,545	1,793
Art club	998	3,980	5,058	(80)
Annual	2,931	9,056	12,677	(690)
Baseball	310	268	1,171	(593)
Volleyball	1,095	2,155	2,136	1,114
Athletics	2,674	28,263	31,411	(474)
Cheerleaders	394	-	394	-
Band	-	977	1,112	(135)
Speech	-	941	2,231	(1,290)
Drama	2,561	5,407	2,923	5,045
Juice machine	3,632	5,626	2,917	6,341
Family and consumer science	-	2,162	1,829	333
Music parents	363	-	-	363
National Honor Society	1,328	2,076	1,975	1,429
Pep club	328	-	-	328
SADD	210	-	210	-
Spanish club	2,141	5,474	5,599	2,016
Student council	87	934	1,236	(215)
Talon newspaper	273	-	-	273
Weightlifting	233	-	-	233
Prom	2,165	2,118	2,200	2,083
Vocal music	835	1,166	865	1,136
LMS				
Athletics	-	13	2,174	(2,161)
Student council	925	-	48	877
Concessions	310	-	-	310
Magazine sales	1,927	3,230	2,016	3,141
Audubon Ark Adventure	180	14	113	81
Cheerleaders	108	-	108	-
Beginning accruals	(116)	-	(116)	-
Ending accruals	-	352	120	232
Total	<u>28,074</u>	<u>107,612</u>	<u>114,254</u>	<u>21,432</u>

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	2,584,283	2,479,893	2,346,953	2,217,545	2,287,411	2,110,102	1,883,323	1,786,569
Tuition	193,731	161,113	167,374	129,721	85,388	56,451	36,030	30,613
Other	269,886	215,320	218,190	228,755	224,713	360,521	336,031	229,960
Intermediate sources	8,695	3,607	4,976	-	-	350	1,820	-
State sources	1,870,414	1,568,829	2,066,872	2,096,412	1,895,214	1,925,835	1,782,395	1,615,572
Federal sources	402,011	414,452	173,309	231,759	304,277	269,100	194,916	135,862
Total revenues	<u>5,329,020</u>	<u>4,843,214</u>	<u>4,977,674</u>	<u>4,904,192</u>	<u>4,797,003</u>	<u>4,722,359</u>	<u>4,234,515</u>	<u>3,798,576</u>
Expenditures:								
Instruction:								
Regular	1,842,336	1,821,127	1,834,727	1,841,036	1,813,272	1,781,150	1,491,721	1,707,671
Special	375,425	365,905	393,117	370,806	339,058	307,871	356,590	437,691
Other	555,387	608,184	455,561	504,077	528,051	432,610	489,739	379,177
Support services:								
Student	173,502	186,650	195,985	133,478	88,481	88,435	82,832	102,811
Instructional staff	102,118	58,382	145,331	150,029	174,453	266,487	155,797	69,352
Administration	399,482	407,208	444,116	386,997	373,817	410,312	422,530	343,133
Operation and maintenance	435,634	415,353	445,857	398,201	384,833	357,797	320,418	288,364
Transportation	322,110	307,315	283,111	382,069	336,681	365,943	343,822	293,306
Non-instructional programs	3,828	3,105	26,006	12,476	3,418	1,131	783	1,280
Other expenditures:								
Facilities acquisition	572,622	634,700	163,125	114,860	1,272,807	4,704,442	589,262	264,333
Long-term debt:								
Principal	320,000	230,000	215,000	210,000	200,000	95,000	-	-
Interest and other charges	224,174	224,151	198,514	206,914	215,014	312,667	-	-
AEA flowthrough	175,700	172,401	161,933	153,280	149,311	146,395	144,861	146,843
Total expenditures	<u>5,502,318</u>	<u>5,434,481</u>	<u>4,962,383</u>	<u>4,864,223</u>	<u>5,879,196</u>	<u>9,270,240</u>	<u>4,398,355</u>	<u>4,033,961</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eastern Allamakee Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Responses, 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 I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eastern Allamakee Community School District and other parties to whom Eastern Allamakee Community School District may report, 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 Eastern Allamakee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 29, 2012

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
- 11-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 11-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 11-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-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.
- 11-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-II-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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

EASTERN ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

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

Beginning balance	\$	\$
		772,166
Revenues/transfers in:		
Statewide sales, services and use tax revenue	295,206	
Other local revenues	44,000	
Interest	3750	
Donations	42,073	385,029
Expenditures/transfers out:		
School infrastructure construction	519,234	
Equipment	82,849	
Transfers to debt service fund	212,934	815,017
Ending balance		342,178

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service Levy	.48892	84,324

11-II-M Deficit Balances: The District has a deficit unrestricted net assets of \$10,740 in the School Nutrition Fund at June 30, 2011.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: The deficits will be covered by future lunch program revenues.

Conclusion: Response accepted.