

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District, Winthrop, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District at June 30, 2012, 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 4, 2013, on our consideration of East Buchanan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing

standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Buchanan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Buchanan Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

- General Fund revenues increased from \$5,802,062 in fiscal 2011 to \$6,101,241 in fiscal 2012, and General Fund expenditures increased from \$5,904,155 in fiscal 2011 to \$6,202,135 in fiscal 2012. The District's General Fund balance decreased from \$1,319,823 in fiscal 2011 to \$1,218,929 in fiscal 2012. This was a 8% decrease in fund balance from fiscal 2011 to fiscal 2012.
- The increase in General Fund expenditures was partially due to a substantial increase in the cost of health insurance premiums.
- The negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal year 2012 due to the above mentioned decrease in funding. The past measure back in 2008 wherein the positions of superintendent and elementary principal were combined has aided the district in supplementation of funds. This move not only allows for continued savings each year, but also in times where funding is compromised to maintain the General Fund balance regardless of the negotiated salary and benefit settlement increase.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

Figure A-1
East Buchanan Community School District Annual Financial Report

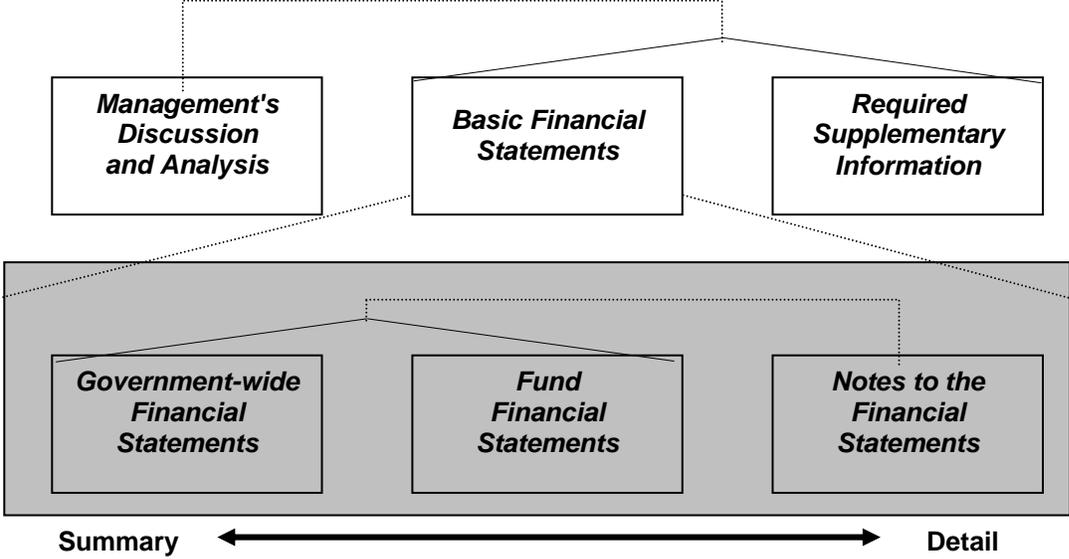


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Current and other assets	6,587,733	7,047,438	36,432	126,349	6,624,165	7,173,787	-8%
Capital assets	7,261,864	6,258,826	90,290	31,742	7,352,154	6,290,568	17%
Total assets	13,849,597	13,306,264	126,722	158,091	13,976,319	13,464,355	4%
Long-term liabilities	3,835,200	3,398,044	100	-	3,835,300	3,398,044	13%
Other liabilities	3,077,640	3,078,699	22,170	21,117	3,099,810	3,099,816	0%
Total liabilities	6,912,840	6,476,743	22,270	21,117	6,935,110	6,497,860	7%
Net Assets:							
Invested in capital assets, net of related debt	2,952,703	3,108,826	36,432	31,742	2,989,135	3,140,568	-5%
Restricted	2,548,199	2,174,254	-	-	2,548,199	2,174,254	17%
Unrestricted	1,435,855	1,546,441	68,020	105,232	1,503,875	1,651,673	-9%
TOTAL NET ASSETS	6,936,757	6,829,521	104,452	136,974	7,041,209	6,966,495	1%

The District's combined net assets increased by nearly 1%, or approximately \$74,714, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$373,945 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$147,798, or 9%. The decrease was primarily a result of increased expenditures in the Physical Plant and Equipment Account with the purchase of the new 1:1 laptop initiative.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012
	Governmental Activities		Business-type Activities		Total School District		
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	810,642	701,203	146,194	143,821	956,836	845,024	13%
Operating grants & contributions	928,172	882,956	137,759	127,666	1,065,931	1,010,622	5%
Capital grants & contributions	25,816	-	-	-	25,816	-	100%
General Revenues:							
Property taxes	2,270,075	2,194,054	-	-	2,270,075	2,194,054	3%
Income Surtax	232,852	250,313	-	-	232,852	250,313	-7%
Statewide sales & service tax	400,291	375,404	-	-	400,291	375,404	7%
Unrestricted state grants	2,459,380	2,348,144	-	-	2,459,380	2,348,144	5%
Unrestricted investment earnings	51,517	79,098	1,270	1,629	52,787	80,727	-35%
Other revenue (loss)	8,591	10,354	-	-	8,591	10,354	-17%
Total Revenues	7,187,336	6,841,526	285,223	273,116	7,472,559	7,114,642	5%
Expenses:							
Instruction	4,732,332	4,299,901	-	-	4,732,332	4,299,901	10%
Support services	1,729,333	1,813,623	-	-	1,729,333	1,813,623	-5%
Non-instructional programs	2,125	-	317,745	275,316	319,870	275,316	16%
Other expenditures	616,310	615,836	-	-	616,310	615,836	<1%
Total expenses	7,080,100	6,729,360	317,745	275,316	7,397,845	7,004,676	6%
CHANGE IN NET ASSETS	107,236	112,166	(32,522)	(2,200)	74,714	109,966	-32%
Net assets beginning of year	6,829,521	6,717,355	136,974	139,174	6,966,495	6,856,529	2%
Net assets end of year	6,936,757	6,829,521	104,452	136,974	7,041,209	6,966,495	1%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,187,336 and expenses were \$7,080,100. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2012	Net Cost of Services 2011
	\$	\$	\$	\$
Instruction	4,732,332	4,299,901	3,396,594	3,127,191
Support Services	1,729,333	1,813,623	1,548,806	1,649,811
Non-instructional Programs	2,125	-	2,125	-
Other Expenses	616,310	615,836	367,945	368,199
TOTAL	7,080,100	6,729,360	5,315,470	5,145,201

- The cost financed by users of the District's programs was \$810,642.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$928,172.
- The net cost of governmental activities was financed with \$2,903,218 in property and other taxes and \$2,459,380 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$285,223 and expenses were \$317,745. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the fiscal year ended June 30, 2012, the District showed revenues increasing 4% and expenditures increasing 15% allowing the District to show a decrease in the Nutrition Fund balance.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Buchanan Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,963,462 compared to last year's ending fund balances of \$3,739,868.

Governmental Fund Highlights

The District's Governmental Fund combined fund balance increased in fiscal year 2012 from the previous year. A closer look at each individual Governmental Fund reveals the following:

General Fund

- The District's General Fund financial position is the result of many factors. The implementation of the preschool program increased expenditures as well as the increase in the health insurance premiums.
- The General Fund balance decreased from \$1,319,823 to \$1,218,929 for a difference of \$100,894. The combination of superintendent and elementary principal positions does still help the district in keeping expenses lower; however, due to the discontinuation of federal American Recovery and Reinvestment Act (ARRA) monies and the implementation of additional instructional staff for the preschool program, the fund balance decreased. Future monitoring of the district's expenditures closely will help keep stabilize the fund balance for the District.
- Since the State no longer provides technology funding, technology equipment will continue to be funded with General Fund monies. Continual replacement of classroom and lab computers on a rotating basis is necessary to provide the latest technology capability to students and staff.
- Renewal of the Instructional Support Levy is crucial to maintain General Fund balance solvency. The majority funding of the Instructional Support Levy is from an income surtax and the amount of the Instructional Support Levy each year is very dependent upon the prosperity of District patrons. Funding received from the Instructional Support Levy are used to maintain the technology needs of the district as well as other District needs.

Management Fund

- The Management Fund balance increased from \$309,922 in fiscal year 2011 to \$378,923 in fiscal year 2012 for an increase of \$69,001. The increase in the Management Fund balance was partially the result of former certified employees who were taking advantage of the district's early retirement policy reaching age 65 and were therefore no longer eligible to participate in the insurance coverage offered by the District. Costs continue to escalate for the district's Workman's Compensation and liability insurance coverage.

Capital Projects Fund

- 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 increased from \$499,644 in fiscal year 2011 to \$623,688 in fiscal year 2012 for an increase of \$124,044.
 - The Statewide Sales Tax account balance increased from \$1,389,114 at June 30, 2011 to \$1,659,838 at June 30, 2012.

"Other" Governmental Funds

The "Other" Governmental Funds balance (Activity Fund and Debt Service Fund), has decreased over the previous fiscal year by \$3,038 in the Activity Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$136,974 at June 30, 2011 to \$104,452 at June 30, 2012, representing a decrease of approximately 24%. This change resulted in an increase in revenue and net assets. Continued vigilance of the program's aging equipment was becoming increasingly important and it was necessary to replace out-dated equipment in the fiscal year 2012 along with compliance requirements for the newly implemented Healthy Kids Act.

BUDGETARY HIGHLIGHTS

The District's receipts were \$125,702 less than budgeted receipts.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$6.62 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$404,949.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2011-2012
	2012	2011	2012	2011	2012	2011	
	\$	\$	\$	\$	\$	\$	
Land	56,355	48,355	-	-	56,355	48,355	17%
Buildings	5,737,420	5,804,144	-	-	5,737,420	5,804,144	-1%
Improvements	181,254	196,675	-	-	181,254	196,675	-8%
Equipment & Furniture	612,704	209,652	36,432	31,742	649,136	241,394	169%
TOTAL	6,587,733	6,258,826	36,432	31,742	6,624,165	6,290,568	5%

Long-Term Debt

At June 30, 2012, the District had \$3,825,201 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012
	2012	2011	
	\$	\$	
Revenue bonds	3,065,000	3,150,000	-3%
Capital lease	570,030	-	100%
Termination benefits	123,058	174,770	-30%
Compensated absences	65,113	62,582	4%
Net OPEB liability	2,000	-	100%
	3,825,201	3,387,352	13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

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

- The District has experienced declining enrollment for the past nine years. The continuing decline in enrollment is a very real concern for the District. It is hoped by District officials that new housing developments within the district, and the completion of the new PK-4 elementary facility will reverse the trend in the near future.
- The District has a three-year rotation of lease/purchase for transportation vehicles. The lease/purchase cost will be realized each fiscal year with resources from the Physical Plant and Equipment Levy Account.
- The District incurred a new expense with the four year lease for computers with the 1:1 Laptop Initiative. The lease will be paid back over four years from the Physical Plant and Equipment Levy Account.
- Combining the positions of Elementary Principal and Superintendent in fiscal year 2008 reduced the number of administrator from 3 FTE to 2 FTE. This move continues to help stem the erosion of the general fund balance, as it is an on-going savings each year.
- The District completed the construction of a new PK-4 facility to replace the current 1915 elementary building financed by monies on hand and the sale of revenue bonds to be paid back by the State Penny Sales Tax.
- The District will monitor the national, state, and local economy to determine the most prudent use of funds being provided to the East Buchanan Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	4,332,225	82,564	4,414,789
Receivables:			
Property tax:			
Delinquent	27,899	-	27,899
Succeeding year	2,309,009	-	2,309,009
Accounts	-	471	471
Due from other governments	534,249	-	534,249
Inventories	-	7,255	7,255
Unamortized bond issue costs	58,482	-	58,482
Capital assets, net of accumulated depreciation	6,587,733	36,432	6,624,165
Total assets	13,849,597	126,722	13,976,319
Liabilities			
Accounts payable	197,916	47	197,963
Salaries and benefits payable	497,439	19,038	516,477
Accrued interest payable	73,276	-	73,276
Deferred revenue:			
Succeeding year property tax	2,309,009	-	2,309,009
Other	-	3,085	3,085
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	115,000	-	115,000
Capital leases	145,853	-	145,853
Termination benefits	43,500	-	43,500
Compensated absences	21,704	-	21,704
Portion due after one year:			
Unamortized bond premium	10,099	-	10,099
Revenue bonds payable	2,950,000	-	2,950,000
Capital leases	424,177	-	424,177
Termination benefits	79,558	-	79,558
Compensated absences	43,409	-	43,409
Net OPEB liability	1,900	100	2,000
Total liabilities	6,912,840	22,270	6,935,110

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,952,703	36,432	2,989,135
Restricted for:			
Management levy	255,865	-	255,865
Physical plant and equipment levy	623,688	-	623,688
Student activities	82,084	-	82,084
Debt service	386,636	-	386,636
School infrastructure	1,199,926	-	1,199,926
Unrestricted	1,435,855	68,020	1,503,875
Total net assets	<u>6,936,757</u>	<u>104,452</u>	<u>7,041,209</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,926,859	323,090	613,079	-
Special	1,144,995	80,255	27,258	-
Other	660,478	228,447	63,609	-
	<u>4,732,332</u>	<u>631,792</u>	<u>703,946</u>	<u>-</u>
Support services:				
Student	157,299	-	-	-
Instructional staff	244,223	-	-	-
Administration	567,744	-	-	-
Operation and maintenance of plant	394,648	101,612	-	-
Transportation	365,419	77,238	1,677	-
	<u>1,729,333</u>	<u>178,850</u>	<u>1,677</u>	<u>-</u>
Non-instructional programs	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	78,876	-	-	25,816
Long-term debt interest	143,759	-	-	-
AEA flowthrough	222,549	-	222,549	-
Depreciation (unallocated)*	171,126	-	-	-
	<u>616,310</u>	<u>-</u>	<u>222,549</u>	<u>25,816</u>
Total governmental activities	7,080,100	810,642	928,172	25,816
Business type activities:				
Non-instructional programs:				
Food service operations	317,745	146,194	137,759	-
Total business type activities	<u>7,397,845</u>	<u>956,836</u>	<u>1,065,931</u>	<u>25,816</u>
General Revenues:				
Property taxes levied for:				
General purposes				
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 expenses of the various programs.

Net (Expense) Revenue and Changes in Net
Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,990,690)	-	(1,990,690)
(1,037,482)	-	(1,037,482)
(368,422)	-	(368,422)
<u>(3,396,594)</u>	<u>-</u>	<u>(3,396,594)</u>
(157,299)	-	(157,299)
(244,223)	-	(244,223)
(567,744)	-	(567,744)
(293,036)	-	(293,036)
(286,504)	-	(286,504)
<u>(1,548,806)</u>	<u>-</u>	<u>(1,548,806)</u>
<u>(2,125)</u>	<u>-</u>	<u>(2,125)</u>
(53,060)	-	(53,060)
(143,759)	-	(143,759)
-	-	-
(171,126)	-	(171,126)
<u>(367,945)</u>	<u>-</u>	<u>(367,945)</u>
(5,315,470)	-	(5,315,470)
<u>-</u>	<u>(33,792)</u>	<u>(33,792)</u>
<u>(5,315,470)</u>	<u>(33,792)</u>	<u>(5,349,262)</u>
2,058,116	-	2,058,116
211,959	-	211,959
232,852	-	232,852
400,291	-	400,291
2,459,380	-	2,459,380
51,517	1,270	52,787
8,591	-	8,591
<u>5,422,706</u>	<u>1,270</u>	<u>5,423,976</u>
107,236	(32,522)	74,714
<u>6,829,521</u>	<u>136,974</u>	<u>6,966,495</u>
<u>6,936,757</u>	<u>104,452</u>	<u>7,041,209</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	1,703,896	2,169,596	458,733	4,332,225
Receivables:				
Property tax:				
Delinquent	22,962	2,601	2,336	27,899
Succeeding year	1,938,253	220,756	150,000	2,309,009
Due from other governments	422,920	111,329	-	534,249
	<u>4,088,031</u>	<u>2,504,282</u>	<u>611,069</u>	<u>7,203,382</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	197,854	-	62	197,916
Salaries and benefits payable	497,439	-	-	497,439
Deferred revenue:				
Succeeding year property tax	1,938,253	220,756	150,000	2,309,009
Income surtax	235,556	-	-	235,556
Total liabilities	<u>2,869,102</u>	<u>220,756</u>	<u>150,062</u>	<u>3,239,920</u>
Fund balances:				
Restricted for:				
Debt service	-	459,912	-	459,912
Management levy	-	-	378,923	378,923
Student activities	-	-	82,084	82,084
School infrastructure	-	1,199,926	-	1,199,926
Physical plant and equipment	-	623,688	-	623,688
Assigned	850,000	-	-	850,000
Unassigned	368,929	-	-	368,929
Total fund balances	<u>1,218,929</u>	<u>2,283,526</u>	<u>461,007</u>	<u>3,963,462</u>
	<u>4,088,031</u>	<u>2,504,282</u>	<u>611,069</u>	<u>7,203,382</u>
Total liabilities and fund balances				

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	3,963,462
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,587,733
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	235,556
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	58,482
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.	(73,276)
Long-term liabilities, including bonds payable, capital leases payable, bond premiums, compensated absences, termination benefits, and other postemployment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,835,200)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,936,757</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,103,292	612,250	190,056	2,905,598
Tuition	326,413	-	-	326,413
Other	283,984	50,987	235,182	570,153
State sources	3,118,777	-	-	3,118,777
Federal sources	268,775	-	-	268,775
Total revenues	<u>6,101,241</u>	<u>663,237</u>	<u>425,238</u>	<u>7,189,716</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,807,991	570,030	52,166	3,430,187
Special	1,144,995	-	-	1,144,995
Other	434,923	-	225,405	660,328
	<u>4,387,909</u>	<u>570,030</u>	<u>277,571</u>	<u>5,235,510</u>
Support services:				
Student	157,199	-	-	157,199
Instructional staff	179,850	-	64,323	244,173
Administration	563,903	-	1,890	565,793
Operation and maintenance of plant	389,737	-	3,619	393,356
Transportation	298,863	1,758	11,872	312,493
	<u>1,589,552</u>	<u>1,758</u>	<u>81,704</u>	<u>1,673,014</u>
Non-instructional programs	<u>2,125</u>	<u>-</u>	<u>-</u>	<u>2,125</u>
Other expenditures:				
Facilities acquisition	-	175,857	-	175,857
Long-term debt:				
Principal	-	-	85,000	85,000
Interest and fiscal charges	-	-	142,097	142,097
AEA flowthrough	222,549	-	-	222,549
	<u>222,549</u>	<u>175,857</u>	<u>227,097</u>	<u>625,503</u>
Total expenditures	<u>6,202,135</u>	<u>747,645</u>	<u>586,372</u>	<u>7,536,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,894)</u>	<u>(84,408)</u>	<u>(161,134)</u>	<u>(346,436)</u>
Other financing sources (uses):				
Proceeds from capital lease	-	570,030	-	570,030
Operating transfers in	-	-	90,854	90,854
Operating transfers out	-	(90,854)	-	(90,854)
Total other financing sources (uses)	<u>-</u>	<u>479,176</u>	<u>90,854</u>	<u>570,030</u>
Net change in fund balances	(100,894)	394,768	(70,280)	223,594
Fund balances beginning of year	<u>1,319,823</u>	<u>1,888,758</u>	<u>531,287</u>	<u>3,739,868</u>
Fund balances end of year	<u>1,218,929</u>	<u>2,283,526</u>	<u>461,007</u>	<u>3,963,462</u>

See notes to financial statements.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		223,594
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense during the year are as follows:		
Expenditures for capital assets	730,142	
Depreciation expense	<u>(401,235)</u>	328,907
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(2,380)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		(3,474)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		85,000
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		593
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.		(2,255)
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	51,712	
Compensated absences	(2,531)	
Other post employment benefits	<u>(1,900)</u>	47,281
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(570,030)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>107,236</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	82,564
Accounts receivable	471
Inventories	7,255
Capital assets, net of accumulated depreciation	<u>36,432</u>
Total assets	<u>126,722</u>
Liabilities	
Accounts payable	47
Salaries and benefits payable	19,038
Deferred revenue	3,085
Net OPEB liability	<u>100</u>
Total liabilities	<u>22,270</u>
Net assets	
Invested in capital assets	36,432
Unrestricted	<u>68,020</u>
Total net assets	<u><u>104,452</u></u>

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

Year ended June 30, 2012

	Nonmajor School Nutrition <u> </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>146,194</u>
Operating expenses:	
Non-instructional programs:	
Salaries	96,337
Benefits	34,660
Purchased services	11,783
Supplies	162,902
Depreciation	3,714
Other	8,349
Total operating expenses	<u>317,745</u>
Operating income (loss)	<u>(171,551)</u>
Non-operating revenues:	
State sources	2,935
Federal sources	134,824
Interest income	1,270
Total non-operating revenues	<u>139,029</u>
Change in net assets	(32,522)
Net assets beginning of year	<u>136,974</u>
Net assets end of year	<u><u>104,452</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	147,622
Cash payments to employees for services	(130,132)
Cash payments to suppliers for goods or services	(161,612)
Net cash used by operating activities	<u>(144,122)</u>
Cash flows from non-capital financing activities:	
State grants received	2,935
Federal grants received	111,662
Net cash provided by non-capital financing activities	<u>114,597</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,404)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,270</u>
Net increase (decrease) in cash and cash equivalents	(36,659)
Cash and cash equivalents at beginning of year	<u>119,223</u>
Cash and cash equivalents at end of year	<u><u>82,564</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(171,551)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	23,162
Depreciation	3,714
Decrease (increase) in inventories	(1,786)
Decrease (increase) in accounts receivable	1,186
(Decrease) increase in accounts payable	46
(Decrease) increase in salaries and benefits payable	765
(Decrease) increase in deferred revenue	242
(Decrease) increase in other post employment benefits	100
Net cash used by operating activities	<u><u>(144,122)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$23,162 of federal commodities.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	6,274
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>6,274</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	6,274
Deductions	<u>-</u>
Change in net assets	6,274
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>6,274</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-45 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-20 years

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. 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.

Assigned – Amounts the Board of Education or Administration intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures exceeded the amounts budgeted in the instruction function.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$578,531 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Governmental Funds:		
Debt Service Fund	Capital Projects Fund	90,854

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,355	8,000	-	56,355
Capital assets being depreciated:				
Buildings	7,426,777	88,981	-	7,515,758
Improvements other than buildings	364,892	-	-	364,892
Furniture and equipment	1,235,835	633,161	-	1,868,996
Total capital assets being deprec.	9,027,504	722,142	-	9,749,646
Less accumulated depreciation for:				
Buildings	1,622,633	155,705	-	1,778,338
Improvements other than buildings	168,217	15,421	-	183,638
Furniture and equipment	1,026,183	230,109	-	1,256,292
Total accumulated depreciation	2,817,033	401,235	-	3,218,268
Total capital assets being depreciated, net	6,210,471	320,907	-	6,531,378
Governmental activities capital assets, net	6,258,826	328,907	-	6,587,733
Business type activities:				
Furniture and equipment	83,021	8,404	-	91,425
Less accumulated depreciation	51,279	3,714	-	54,993
Business type activities capital assets, net	31,742	4,690	-	36,432

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	175,127
Support services:	
Administration	1,064
Operation and maintenance of plant services	1,042
Transportation	<u>52,876</u>
	230,109
Unallocated depreciation	<u>171,126</u>
Total depreciation expense – governmental activities	<u>401,235</u>
Business type activities:	
Food services	<u>3,714</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	3,150,000	-	85,000	3,065,000	115,000
Capital lease	-	570,030	-	570,030	145,853
Termination benefits	174,770	-	51,712	123,058	43,500
Compensated absences	62,582	2,531	-	65,113	21,704
Net OPEB liability	-	1,900	-	1,900	-
	<u>3,387,352</u>	<u>574,461</u>	<u>136,712</u>	<u>3,825,101</u>	<u>326,057</u>
Business type activities:					
Net OPEB liability	-	100	-	100	-

Termination Benefits

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

At June 30, 2012, the District has obligations to eight participants with a total liability of \$123,058. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$51,712.

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of May 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.40	115,000	137,197	252,197
2014	3.40	120,000	133,203	253,203
2015	3.40	140,000	128,783	268,783
2016	3.40	140,000	124,023	264,023
2017	3.40	150,000	119,093	269,093
2087-2022	4.00-4.80	800,000	502,472	1,302,472
2023-2027	4.80-5.15	945,000	299,320	1,244,320
2087-2030	5.35	655,000	53,634	708,634
		3,065,000	1,497,725	4,562,725

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,150,000 bonds issued in May 2009. The bonds were issued for the purpose of financing a portion of the costs of an elementary addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,562,725. For the current year, \$85,000 of principal and \$140,598 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$400,291.

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

- \$271,643 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales and services tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose for which the statewide sales and services tax may be used.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2013	150,293
	2014	150,293
	2015	150,293
	2016	150,293
Minimum Lease Payments		601,172
Less Amount Representing Interest		31,142
Present Value of Minimum Lease Payments		<u>570,030</u>

6. 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$239,673, \$196,475 and \$184,022 respectively, equal to the required contributions for each year.

7. 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 66 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	54,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>54,000</u>
Contributions made	<u>52,000</u>
Increase in net OPEB obligation	2,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>2,000</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, 2012.

For the year ended June 30, 2012, the District contributed \$52,000 to the medical plan. Plan members eligible for benefits contributed \$67,000, or 56% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	54,000	100%	-
2011	54,000	100%	-
2012	54,000	96%	2,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$547,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$547,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,730,000, and the ratio of the UAAL to covered payroll was 20.0%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

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

8. Risk Management

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$222,549 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,802,164	147,464	3,949,628	3,758,488	3,758,488	191,140
State sources	3,118,777	2,935	3,121,712	3,460,153	3,460,153	(338,441)
Federal sources	268,775	134,824	403,599	382,000	382,000	21,599
Total revenues	<u>7,189,716</u>	<u>285,223</u>	<u>7,474,939</u>	<u>7,600,641</u>	<u>7,600,641</u>	<u>(125,702)</u>
Expenditures/Expenses:						
Instruction	5,235,510	-	5,235,510	4,407,000	4,435,000	(800,510)
Support services	1,673,014	-	1,673,014	2,601,000	2,573,000	899,986
Non-instructional programs	2,125	317,745	319,870	400,000	400,000	80,130
Other expenditures	625,503	-	625,503	2,453,739	2,453,739	1,828,236
Total expenditures/expenses	<u>7,536,152</u>	<u>317,745</u>	<u>7,853,897</u>	<u>9,861,739</u>	<u>9,861,739</u>	<u>2,007,842</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(346,436)	(32,522)	(378,958)	(2,261,098)	(2,261,098)	1,882,140
Other financing sources (uses) net	<u>570,030</u>	<u>-</u>	<u>570,030</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>585,030</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	223,594	(32,522)	191,072	(2,276,098)	(2,276,098)	2,467,170
Balance beginning of year	<u>3,739,868</u>	<u>136,974</u>	<u>3,876,842</u>	<u>4,032,074</u>	<u>4,032,074</u>	<u>(155,232)</u>
Balance end of year	<u><u>3,963,462</u></u>	<u><u>104,452</u></u>	<u><u>4,067,914</u></u>	<u><u>1,755,976</u></u>	<u><u>1,755,976</u></u>	<u><u>2,311,938</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the instruction function.

EAST BUCHANAN 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	-	547,000	547,000	0.0%	2,550,000	21.5%
2011	July 1, 2009	-	547,000	547,000	0.0%	2,530,000	21.6%
2012	July 1, 2009	-	547,000	547,000	0.0%	2,730,000	20.0%

See Note 7 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.

SUPPLEMENTARY INFORMATION

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$	\$	\$
Cash and pooled investments	376,587	82,146	-	458,733
Receivables:				
Property tax:				
Delinquent	2,336	-	-	2,336
Succeeding year	150,000	-	-	150,000
Total assets	528,923	82,146	-	611,069
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	62	-	62
Deferred revenue:				
Succeeding year property tax	150,000	-	-	150,000
Total liabilities	150,000	62	-	150,062
Fund balances:				
Restricted for:				
Management levy	378,923	-	-	378,923
Student activities	-	82,084	-	82,084
Total fund balances	378,923	82,084	-	461,007
Total liabilities and fund balances	528,923	82,146	-	611,069

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$		
Revenues:				
Local sources:				
Local tax	190,056	-	-	190,056
Other	12,815	222,367	-	235,182
Total revenues	<u>202,871</u>	<u>222,367</u>	<u>-</u>	<u>425,238</u>
Expenditures:				
Current:				
Instruction:				
Regular	52,166	-	-	52,166
Other	-	225,405	-	225,405
Support services:				
Instructional staff	64,323	-	-	64,323
Administration	1,890	-	-	1,890
Operation and maintenance of plant	3,619	-	-	3,619
Transportation	11,872	-	-	11,872
Other expenditures:				
Long-term debt:				
Principal	-	-	85,000	85,000
Interest and fiscal charges	-	-	142,097	142,097
Total expenditures	<u>133,870</u>	<u>225,405</u>	<u>227,097</u>	<u>586,372</u>
Excess (deficiency) of revenues over (under) expenditures	69,001	(3,038)	(227,097)	(161,134)
Other financing sources (uses):				
Operating transfers in	-	-	90,854	90,854
Net change in fund balances	69,001	(3,038)	(136,243)	(70,280)
Fund balances beginning of year	<u>309,922</u>	<u>85,122</u>	<u>136,243</u>	<u>531,287</u>
Fund balances end of year	<u><u>378,923</u></u>	<u><u>82,084</u></u>	<u><u>-</u></u>	<u><u>461,007</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	1,548,509	621,087	2,169,596
Receivables:			
Property tax:			
Delinquent	-	2,601	2,601
Succeeding year	-	220,756	220,756
Due from other governments	111,329	-	111,329
Total assets	<u>1,659,838</u>	<u>844,444</u>	<u>2,504,282</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	220,756	220,756
Fund balances:			
Restricted for:			
Debt service	459,912	-	459,912
School infrastructure	1,199,926	-	1,199,926
Physical plant and equipment	-	623,688	623,688
Total fund balances	<u>1,659,838</u>	<u>623,688</u>	<u>2,283,526</u>
Total liabilities and fund balances	<u>1,659,838</u>	<u>844,444</u>	<u>2,504,282</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	400,291	211,959	612,250
Other	17,747	33,240	50,987
Total revenues	<u>418,038</u>	<u>245,199</u>	<u>663,237</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	570,030	570,030
Support services:			
Transportation services	-	1,758	1,758
Other expenditures:			
Facilities acquisition	56,460	119,397	175,857
Total expenditures	<u>56,460</u>	<u>691,185</u>	<u>747,645</u>
Excess (deficiency) of revenues over (under) expenditures	<u>361,578</u>	<u>(445,986)</u>	<u>(84,408)</u>
Other financing sources (uses):			
Proceeds from capital lease	-	570,030	570,030
Operating transfers out	(90,854)	-	(90,854)
Total other financing sources (uses)	<u>(90,854)</u>	<u>570,030</u>	<u>479,176</u>
Net change in fund balance	270,724	124,044	394,768
Fund balances beginning of year	<u>1,389,114</u>	<u>499,644</u>	<u>1,888,758</u>
Fund balance end of year	<u><u>1,659,838</u></u>	<u><u>623,688</u></u>	<u><u>2,283,526</u></u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Athletics	16,970	70,924	68,267	(390)	19,237
Annual	3,723	4,817	5,432	259	3,367
Buccaneer club	2,208	3,304	3,005	1,342	3,849
Drama/speech	290	3,558	1,632	(100)	2,116
FBLA	29	8,356	7,849	(259)	277
Feed store	327	196	371	-	152
Fitness club	298	1,025	1,057	-	266
Shop club	66	-	-	-	66
Library club	693	3,829	3,848	98	772
Marketing	26	-	-	-	26
Music	1,049	1,038	1,946	36	177
Newspaper	1,274	-	183	-	1,091
Pep band	34	3,300	2,992	(36)	306
Color guard	-	230	230	-	-
Physics club	834	1,333	1,033	(25)	1,109
Spanish club	238	102	359	19	-
Speech	672	1,106	1,266	-	512
Elementary student council	10,138	3,106	3,686	-	9,558
Camp Wapsie Y	5,432	4,859	4,524	-	5,767
Softball fund raiser	444	2,920	1,072	(1,291)	1,001
Volleyball fund raiser	1,107	9,972	8,175	-	2,904
Girls basketball fund raiser	231	659	758	-	132
Girls track fund raiser	84	769	689	-	164
Boys track fund raiser	-	489	452	-	37
Boys basketball fund raiser	276	466	672	-	70
MS girls BB	206	961	961	-	206
Golf	791	847	712	-	926
Trapshooting fund raiser	12	-	-	-	12
Wrestling fund raiser	622	3,287	2,919	-	990
MS boys baseball	2,881	1,628	5,398	2,056	1,167
Football fund raiser	2,343	3,526	5,864	-	5
Music trip fund raiser	18,276	51,338	54,816	-	14,798
Sound system fund raiser	3,484	-	1,789	-	1,695
EB hoopsters club	743	976	1,156	-	563
Lil Buc boys basketball	78	273	252	-	99
Class of 2012	3,804	736	3,289	(1,251)	-
Class of 2013	1,236	10,800	8,870	(208)	2,958
Class of 2014	801	315	-	-	1,116
Class of 2015	425	361	428	-	358

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Class of 2016	280	235	-	-	515
Class of 2017	145	155	-	-	300
Class of 2018	-	200	-	100	300
Interest	-	1,397	1,397	-	-
Student ins.	-	271	271	-	-
National Honor Society	102	250	218	-	134
NHS care project	43	-	-	-	43
Middle school student council	58	4,473	4,376	(60)	95
Cheerleading club	437	1,451	1,546	-	342
HS student council	837	12,529	11,583	(290)	1,493
Technology	1,075	-	-	-	1,075
Ending accruals	-	-	62	-	(62)
Total	<u>85,122</u>	<u>222,367</u>	<u>225,405</u>	<u>-</u>	<u>82,084</u>

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,905,598	2,826,378	2,656,471	2,560,455	2,494,844	2,240,472	2,124,201	2,142,510	2,138,653
Tuition	326,413	267,314	211,718	154,387	182,822	198,534	78,929	108,939	61,589
Other	570,153	587,153	531,121	515,539	455,892	464,704	423,690	361,979	400,568
State sources	3,118,777	2,933,428	2,550,437	3,012,506	2,747,732	2,612,883	2,461,748	2,370,714	2,272,432
Federal sources	268,775	275,934	501,790	227,840	158,630	163,531	169,980	239,988	241,422
Total revenues	<u>7,189,716</u>	<u>6,890,207</u>	<u>6,451,537</u>	<u>6,470,727</u>	<u>6,039,920</u>	<u>5,680,124</u>	<u>5,258,548</u>	<u>5,224,130</u>	<u>5,114,664</u>
Expenditures:									
Instruction:									
Regular	3,430,187	2,532,558	2,344,056	2,327,183	2,428,627	2,274,328	2,240,325	2,259,994	2,178,189
Special	1,144,995	1,056,960	990,547	931,942	772,330	710,299	654,472	689,300	757,733
Other	660,328	721,519	681,557	656,427	504,403	477,960	452,809	488,937	433,991
Support services:									
Student	157,199	102,369	84,388	92,749	92,170	93,285	88,398	89,026	78,703
Instructional staff	244,173	206,587	185,701	168,952	157,946	129,403	152,772	89,778	81,494
Administration	565,793	700,982	533,595	536,855	510,429	649,162	564,177	523,854	556,540
Operation and maintenance	393,356	407,802	394,331	377,514	382,854	359,808	356,346	343,217	361,179
Transportation	312,493	410,563	365,875	281,872	301,677	347,069	279,916	215,302	305,523
Non-instructional programs	2,125	-	-	8	-	-	16,756	6,365	65
Other expenditures:									
Facilities acquisition	175,857	545,973	2,737,761	474,158	86,666	142,316	278,586	176,424	377,044
Long-term debt:									
Principal	85,000	-	64,361	86,493	61,845	37,225	65,634	218,625	217,777
Interest and other charges	142,097	143,542	98,148	5,469	7,737	32,357	1,430	10,402	11,225
AEA flowthrough	222,549	246,138	243,905	208,244	194,628	186,713	176,569	175,067	176,916
Total expenditures	<u>7,536,152</u>	<u>7,074,993</u>	<u>8,724,225</u>	<u>6,147,866</u>	<u>5,501,312</u>	<u>5,439,925</u>	<u>5,328,190</u>	<u>5,286,291</u>	<u>5,536,379</u>

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
East Buchanan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Buchanan Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. 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

The management of East Buchanan Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered East Buchanan Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Buchanan Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Buchanan Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and 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 12-I-A, 12-I-B, and 12-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Buchanan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Buchanan Community School District and other parties to whom East Buchanan Community School District may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Buchanan Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 4, 2013

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-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, entering invoices and preparing checks, processing payroll, 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.

12-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.

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

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

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- 12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amount in the instruction function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: We did amend our budget but year-end expenditures were more than anticipated.
- Conclusion: Response accepted.
- 12-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 12-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.
- 12-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 12-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.
- 12-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by one student. A foreign exchange student was incorrectly counted as a resident student.
- Recommendation: The District should implement controls to ensure that foreign exchange students are properly coded in the enrollment software.
- District Response: We will review our procedures for coding enrollment.
- Conclusion: Response accepted.
- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-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.
- 12-II-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

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

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

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

Conclusion: Response accepted.

12-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, 2012, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance	\$	\$
		1,389,114
Revenues/transfers in:		
Statewide sales, services and use tax revenue	400,291	
Other local revenues	17,747	418,038
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	56,460	
Transfers to debt service fund	90,854	147,314
	<hr/>	<hr/>
Ending balance		<u>1,659,838</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.