

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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 as of June

30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

##### *Required Supplementary Information*

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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

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 in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated XXXXXX xx, 2015 on our consideration of East Buchanan Community School District's internal control over financial reporting and on 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 and 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 in considering East Buchanan Community School District's internal control over financial reporting and compliance.

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

XXXXXX xx, 2015

## BASIC FINANCIAL STATEMENTS

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	5,525,597	49,912	5,575,509
Cash with fiscal agent			
Receivables:			
Property tax:			
Delinquent	21,400	-	21,400
Succeeding year	2,327,201	-	2,327,201
Accounts	-	1,703	1,703
Due from other governments	534,670	-	534,670
Inventories	-	12,338	12,338
Unamortized bond issue costs	51,602	-	51,602
Capital assets, net of accumulated depreciation	6,012,061	41,166	6,053,227
	<u>14,472,531</u>	<u>105,119</u>	<u>14,577,650</u>
<b>Total assets</b>			
<b>Liabilities</b>			
Accounts payable	102,004	-	102,004
Salaries and benefits payable	582,461	21,721	604,182
Accrued interest payable	74,153	-	74,153
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	140,000	-	140,000
Capital leases	141,348	-	141,348
Termination benefits	38,210	-	38,210
Compensated absences	28,458	-	28,458
Portion due after one year:			
Unamortized bond premium	8,911	-	8,911
Revenue bonds payable	2,690,000	-	2,690,000
Capital leases	145,752	-	145,752
Termination benefits	47,844	-	47,844
Compensated absences	56,917	-	56,917
	<u>4,056,058</u>	<u>21,721</u>	<u>4,077,779</u>
<b>Total liabilities</b>			

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,327,201	-	2,327,201
Other	-	3,774	3,774
	<u>2,327,201</u>	<u>3,774</u>	<u>2,330,975</u>
<b>Net position</b>			
Net investment in capital assets	2,894,961	41,166	2,936,127
Restricted for:			
Categorical funding	20,974	-	20,974
Management levy	327,256	-	327,256
Physical plant and equipment levy	491,077	-	491,077
Student activities	105,231	-	105,231
Debt service	403,831	-	403,831
School infrastructure	1,632,342	-	1,632,342
Unrestricted	<u>2,213,600</u>	<u>38,458</u>	<u>2,252,058</u>
<b>Total net position</b>	<u><u>8,089,272</u></u>	<u><u>79,624</u></u>	<u><u>8,168,896</u></u>



EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

<b><u>Functions/Programs</u></b>	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	2,848,272	470,118	528,310	-
Special	837,212	94,405	57,122	-
Other	770,393	189,873	68,822	-
	<u>4,455,877</u>	<u>754,396</u>	<u>654,254</u>	<u>-</u>
<b>Support services:</b>				
Student	140,729	-	-	-
Instructional staff	238,449	-	-	-
Administration	682,341	-	-	-
Operation and maintenance of plant	475,177	185	-	-
Transportation	422,563	-	1,708	-
	<u>1,959,259</u>	<u>185</u>	<u>1,708</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	92,203	-	19,000	-
Long-term debt interest	145,968	15,592	-	-
AEA flowthrough	241,009	-	241,009	-
Depreciation (unallocated)*	174,838	-	-	-
	<u>654,018</u>	<u>15,592</u>	<u>260,009</u>	<u>-</u>
<b>Total governmental activities</b>	<b>7,069,154</b>	<b>770,173</b>	<b>915,971</b>	<b>-</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	326,663	159,493	166,174	-
<b>Total business type activities</b>	<b>7,395,817</b>	<b>929,666</b>	<b>1,082,145</b>	<b>-</b>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				
<b>Change in net position</b>				
Net position beginning of year				
Net position 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  
Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,849,844)	-	(1,849,844)
(685,685)	-	(685,685)
(511,698)	-	(511,698)
<u>(3,047,227)</u>	<u>-</u>	<u>(3,047,227)</u>
(140,729)	-	(140,729)
(238,449)	-	(238,449)
(682,341)	-	(682,341)
(474,992)	-	(474,992)
(420,855)	-	(420,855)
<u>(1,957,366)</u>	<u>-</u>	<u>(1,957,366)</u>
(73,203)	-	(73,203)
(130,376)	-	(130,376)
-	-	-
(174,838)	-	(174,838)
<u>(378,417)</u>	<u>-</u>	<u>(378,417)</u>
(5,383,010)	-	(5,383,010)
-	(996)	(996)
<u>(5,383,010)</u>	<u>(996)</u>	<u>(5,384,006)</u>
2,146,004	-	2,146,004
229,675	-	229,675
323,423	-	323,423
489,609	-	489,609
2,794,249	-	2,794,249
40,907	592	41,499
594	-	594
<u>6,024,461</u>	<u>592</u>	<u>6,025,053</u>
641,451	(404)	641,047
<u>7,447,821</u>	<u>80,028</u>	<u>7,527,849</u>
<u>8,089,272</u>	<u>79,624</u>	<u>8,168,896</u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash, cash equivalents and pooled investments	2,609,392	2,397,703	518,502	5,525,597
Receivables:				
Property tax:				
Delinquent	17,988	2,062	1,350	21,400
Succeeding year	1,916,856	235,345	175,000	2,327,201
Due from other governments	332,009	202,661	-	534,670
<b>Total assets</b>	<b><u>4,876,245</u></b>	<b><u>2,837,771</u></b>	<b><u>694,852</u></b>	<b><u>8,408,868</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	99,670	1,023	1,311	102,004
Salaries and benefits payable	582,461	-	-	582,461
Total liabilities	<u>682,131</u>	<u>1,023</u>	<u>1,311</u>	<u>684,465</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,916,856	235,345	175,000	2,327,201
Income surtax	239,744	-	-	239,744
Total deferred inflows of resources	<u>2,156,600</u>	<u>235,345</u>	<u>175,000</u>	<u>2,566,945</u>
Fund balances:				
Restricted for:				
Categorical funding	20,974	-	-	20,974
Debt service	-	477,984	-	477,984
Management levy	-	-	413,310	413,310
Student activities	-	-	105,231	105,231
School infrastructure	-	1,632,342	-	1,632,342
Physical plant and equipment	-	491,077	-	491,077
Assigned	850,000	-	-	850,000
Unassigned	1,166,540	-	-	1,166,540
Total fund balances	<u>2,037,514</u>	<u>2,601,403</u>	<u>518,541</u>	<u>5,157,458</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>4,876,245</u></b>	<b><u>2,837,771</u></b>	<b><u>694,852</u></b>	<b><u>8,408,868</u></b>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	5,157,458
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	6,012,061
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	239,744
Bond issue costs are reported as an asset in the Statement of Net Position and are amortized over the life of the bonds.	51,602
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(74,153)
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 year and therefore, are not reported as liabilities in the governmental funds.	<u>(3,297,440)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>8,089,272</u></u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,315,045	229,675	149,818	2,694,538
Tuition	485,477	-	-	485,477
Other	74,954	43,061	226,588	344,603
State sources	3,465,564	489,726	77	3,955,367
Federal sources	225,462	-	-	225,462
Total revenues	<u>6,566,502</u>	<u>762,462</u>	<u>376,483</u>	<u>7,705,447</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,675,109	-	74,309	2,749,418
Special	837,212	-	-	837,212
Other	585,904	-	184,489	770,393
	<u>4,098,225</u>	<u>-</u>	<u>258,798</u>	<u>4,357,023</u>
Support services:				
Student	160,157	-	-	160,157
Instructional staff	204,746	-	33,703	238,449
Administration	671,125	-	9,088	680,213
Operation and maintenance of plant	444,146	2,800	26,349	473,295
Transportation	340,699	93,643	9,499	443,841
	<u>1,820,873</u>	<u>96,443</u>	<u>78,639</u>	<u>1,995,955</u>
Other expenditures:				
Facilities acquisition	-	101,831	-	101,831
Long-term debt:				
Principal	-	-	257,077	257,077
Interest and fiscal charges	-	-	148,669	148,669
AEA flowthrough	241,009	-	-	241,009
	<u>241,009</u>	<u>101,831</u>	<u>405,746</u>	<u>748,586</u>
Total expenditures	<u>6,160,107</u>	<u>198,274</u>	<u>743,183</u>	<u>7,101,564</u>
Excess (deficiency) of revenues over (under) expenditures	<u>406,395</u>	<u>564,188</u>	<u>(366,700)</u>	<u>603,883</u>
Other financing sources (uses):				
Operating transfers in	-	-	405,746	405,746
Operating transfers out	-	(405,746)	-	(405,746)
Total other financing sources (uses)	<u>-</u>	<u>(405,746)</u>	<u>405,746</u>	<u>-</u>
Change in fund balances	406,395	158,442	39,046	603,883
Fund balances beginning of year	<u>1,631,119</u>	<u>2,442,961</u>	<u>479,495</u>	<u>4,553,575</u>
Fund balances end of year	<u><u>2,037,514</u></u>	<u><u>2,601,403</u></u>	<u><u>518,541</u></u>	<u><u>5,157,458</u></u>

## 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, 2014

	\$	\$
<b>Change in fund balances - total governmental funds (Exhibit E)</b>		603,883
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	128,025	
Depreciation expense	<u>(414,530)</u>	(286,505)
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.		
		4,564
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.		
		(3,440)
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 Position.		
		257,077
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.		
		594
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.		
		6,141
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	69,812	
Compensated absences	(10,675)	<u>59,137</u>
<b>Changes in net position of governmental activities (Exhibit B)</b>		<u><u>641,451</u></u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Net Position  
Proprietary Funds

June 30, 2014

	Enterprise Funds
	<u>Nonmajor School Nutrition</u>
	<u>\$</u>
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and pooled investments	49,912
Accounts receivable	1,703
Inventories	<u>12,338</u>
Total current assets	63,953
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>41,166</u>
<b>Total assets</b>	<u>105,119</u>
<b>Liabilities</b>	
Current liabilities:	
Salaries and benefits payable	21,721
Deferred revenue	<u>3,774</u>
<b>Total liabilities</b>	<u>25,495</u>
<b>Net position</b>	
Investment in capital assets	41,166
Unrestricted	<u>38,458</u>
<b>Total net position</b>	<u><u>79,624</u></u>

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

Year ended June 30, 2014

	Enterprise Funds
	Nonmajor School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for service	159,493
Operating expenses:	
Non-instructional programs:	
Salaries	102,126
Benefits	36,194
Purchased services	949
Supplies	180,545
Depreciation	4,630
Other	2,219
Total operating expenses	326,663
Operating income (loss)	(167,170)
Non-operating revenues:	
State sources	2,831
Federal sources	163,343
Interest income	592
Total non-operating revenues	166,766
Change in net position	(404)
Net position beginning of year	80,028
Net position end of year	79,624



## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2014

	Enterprise Funds
	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	159,429
Cash paid to employees for services	(135,725)
Cash paid to suppliers for goods or services	(159,331)
Net cash used by operating activities	<u>(135,627)</u>
Cash flows from non-capital financing activities:	
Loans from (repaid) to other funds	(10,532)
State grants received	2,831
Federal grants received	134,370
Net cash provided by non-capital financing activities	<u>126,669</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>592</u>
Net increase (decrease) in cash and cash equivalents	(8,366)
Cash and cash equivalents at beginning of year	<u>58,278</u>
Cash and cash equivalents at end of year	<u><u>49,912</u></u>
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>	
Operating income (loss)	(167,170)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	28,973
Depreciation	4,630
Decrease (increase) in inventories	(4,591)
Decrease (increase) in accounts receivable	(353)
(Decrease) increase in salaries and benefits payable	2,595
(Decrease) increase in deferred revenue	289
Net cash used by operating activities	<u><u>(135,627)</u></u>

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

During the year ended June 30, 2014, the District received \$28,973 of federal commodities.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2014

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	36,094
<b>Liabilities</b>	<u>-</u>
<b>Net position</b>	
Reserved for scholarships	<u><u>36,094</u></u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust Scholarship <u>          </u> \$
Additions:	
Local sources:	
Gifts and contributions	36,037
Interest	31
Total additions	<u>36,068</u>
Deductions	
Support services:	
Scholarships awarded	<u>28,260</u>
Change in net position	7,808
Net position beginning of year	<u>28,286</u>
Net position end of year	<u><u>36,094</u></u>

# EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2014

### 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 and special education pre-kindergarten. 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 which 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 position and changes in net position. 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 position 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.

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, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - 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 become 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013, through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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 Position. 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.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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, 2014. 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 Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures did not exceed the amounts budgeted.

## 2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$477,984 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, 2014 is as follows:

Transfer To	Transfer From	Amount \$
Nonmajor Governmental Funds:		
Debt Service Fund	Capital Projects Fund	255,453
Debt Service Fund	PPEL Fund	150,293

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, 2014 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	64,355	-	-	64,355
Capital assets being depreciated:				
Buildings	7,585,239	9,628	-	7,594,867
Improvements other than buildings	382,929	-	-	382,929
Furniture and equipment	1,903,528	118,397	-	2,021,925
Total capital assets being deprec.	9,871,696	128,025	-	9,999,721
Less accumulated depreciation for:				
Buildings	1,945,854	156,411	-	2,102,265
Improvements other than buildings	199,955	18,427	-	218,382
Furniture and equipment	1,491,676	239,692	-	1,731,368
Total accumulated depreciation	3,637,485	414,530	-	4,052,015
Total capital assets being depreciated, net	6,234,211	(286,505)	-	5,947,706
Governmental activities capital assets, net	6,298,566	(286,505)	-	6,012,061
<b>Business type activities:</b>				
Furniture and equipment	106,042	-	-	106,042
Less accumulated depreciation	60,246	4,630	-	64,876
Business type activities capital assets, net	45,796	(4,630)	-	41,166

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	157,991
Support services:	
Student Support	5,326
Administration	2,128
Operation and maintenance of plant services	1,882
Transportation	<u>72,365</u>
	239,692
Unallocated depreciation	<u>174,838</u>
Total depreciation expense . governmental activities	<u><u>414,530</u></u>
Business type activities:	
Food services	<u><u>4,630</u></u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	2,950,000	-	120,000	2,830,000	140,000
Capital lease	424,177	-	137,077	287,100	141,348
Termination benefits	155,866	(2,902)	66,910	86,054	38,210
Compensated absences	74,700	10,675	-	85,375	28,458
	<u>3,604,743</u>	<u>7,773</u>	<u>323,987</u>	<u>3,288,529</u>	<u>348,016</u>
Total					
Business type activities:					
Net OPEB liability	-	-	-	-	-

### 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, 2014, the District has obligations to six participants with a total liability of \$86,054. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$66,910.

### Revenue Bonds

Details of the District's June 30, 2014 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
	%	\$	\$	\$
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
2018	4.00	155,000	113,443	268,443
2019	4.00	155,000	107,243	262,243
2020-2024	4.00-5.00	845,000	429,772	1,274,772
2025-2029	5.00-5.35	1,015,000	198,816	1,213,816
2030	5.35	230,000	6,152	236,152
		2,830,000	1,227,325	4,057,325

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 \$4,310,528. For the current year, \$120,000 of principal and \$133,203 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$489,609.

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, 2014.

	Year Ending June 30,	Amount
		\$
	2015	150,293
	2016	150,293
Minimum Lease Payments		300,586
Less Amount Representing Interest		13,486
Present Value of Minimum Lease Payments		287,100

## 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$314,518, \$277,779 and \$239,673 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 55 active and 8 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 determined using ACOPEB.com software, 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	54,155
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>54,155</u>
Contributions made	<u>54,155</u>
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>-</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated as the cumulative difference between the funding requirements, determined by the Iowa School Finance Information Services using ACOPEB.com software, and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$54,155 to the medical plan. Plan members eligible for benefits contributed \$7,302, or approximately 27% 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 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
2013	54,165	104%	-
2014	54,155	100%	-

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$425,583, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$425,583. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,100,000, and the ratio of the UAAL to covered payroll was 20.3%. As of June 30, 2014, 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, this was done using ACOPEB.com software and information provided by the District.

As of the July 1, 2012 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 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Life expectancy by gender rates come from the *Life Expectancy Table* from the National Center for Health Statistics, updated in 2008. Annual retirement and termination probabilities were developed using Table 1 in GASB Statement 45.

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 \$241,009 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Early literacy	14,000
Teacher leadership	6,974
	<u>20,974</u>

## 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,524,618	160,085	3,684,703	4,136,575	4,136,575	(451,872)
State sources	3,955,367	2,831	3,958,198	3,483,237	3,483,237	474,961
Federal sources	225,462	163,343	388,805	383,400	383,400	5,405
Total revenues	<u>7,705,447</u>	<u>326,259</u>	<u>8,031,706</u>	<u>8,003,212</u>	<u>8,003,212</u>	<u>28,494</u>
Expenditures/Expenses:						
Instruction	4,357,023	-	4,357,023	5,751,000	5,751,000	1,393,977
Support services	1,995,955	-	1,995,955	2,746,103	2,746,103	750,148
Non-instructional programs	-	308,400	308,400	388,000	388,000	79,600
Other expenditures	748,586	-	748,586	2,086,651	2,086,651	1,338,065
Total expenditures/expenses	<u>7,101,564</u>	<u>326,663</u>	<u>7,409,964</u>	<u>10,971,754</u>	<u>10,971,754</u>	<u>3,561,790</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	603,883	(404)	621,742	(2,968,542)	(2,968,542)	3,590,284
Balance beginning of year	<u>4,553,575</u>	<u>80,028</u>	<u>4,633,603</u>	<u>3,497,623</u>	<u>3,497,623</u>	<u>1,135,980</u>
Balance end of year	<u><u>5,157,458</u></u>	<u><u>79,624</u></u>	<u><u>5,255,345</u></u>	<u><u>529,081</u></u>	<u><u>529,081</u></u>	<u><u>4,726,264</u></u>



EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

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 ended June 30, 2014, expenditures did not exceed the amounts budgeted.

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%
2013	July 1, 2012	-	425,583	425,583	0.0%	2,260,000	18.8%
2014	July 1, 2012	-	425,583	425,583	0.0%	2,100,000	20.3%

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, 2014

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	413,271	105,231	-	518,502
Receivables:				
Property tax:				
Delinquent	1,350	-	-	1,350
Succeeding year	175,000	-	-	175,000
<b>Total assets</b>	<b>589,621</b>	<b>105,231</b>	<b>-</b>	<b>694,852</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	1,311	-	-	1,311
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	175,000	-	-	175,000
Fund balances:				
Restricted for:				
Management levy	413,310	-	-	413,310
Student activities	-	105,231	-	105,231
Total fund balances	413,310	105,231	-	518,541
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>589,621</b>	<b>105,231</b>	<b>-</b>	<b>694,852</b>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Special Revenue Funds			Total
	Management Levy	Student Activity	Debt Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	149,818	-	-	149,818
Other	8,152	218,436	-	226,588
State sources	77	-	-	77
Total revenues	<u>158,047</u>	<u>218,436</u>	<u>-</u>	<u>376,483</u>
Expenditures:				
Current:				
Instruction:				
Regular	74,309	-	-	74,309
Other	-	184,489	-	184,489
Support services:				
Instructional staff	33,703	-	-	33,703
Administration	9,088	-	-	9,088
Operation and maintenance of plant	26,279	70	-	26,349
Transportation	9,499	-	-	9,499
Other expenditures:				
Long-term debt:				
Principal	-	-	257,077	257,077
Interest and fiscal charges	-	-	148,669	148,669
Total expenditures	<u>152,878</u>	<u>184,559</u>	<u>405,746</u>	<u>743,183</u>
Excess (deficiency) of revenues over (under) expenditures	5,169	33,877	(405,746)	(366,700)
Other financing sources (uses):				
Operating transfers in	-	-	405,746	405,746
Change in fund balances	5,169	33,877	-	39,046
Fund balances beginning of year	<u>408,141</u>	<u>71,354</u>	<u>-</u>	<u>479,495</u>
Fund balances end of year	<u><u>413,310</u></u>	<u><u>105,231</u></u>	<u><u>-</u></u>	<u><u>518,541</u></u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
<b>Assets</b>			
Cash, cash equivalents and pooled investments	1,907,665	490,038	2,397,703
Receivables:			
Property tax:			
Delinquent	-	2,062	2,062
Succeeding year	-	235,345	235,345
Due from other governments	202,661	-	202,661
<b>Total assets</b>	<b>2,110,326</b>	<b>727,445</b>	<b>2,837,771</b>
<b>Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	1,023	1,023
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	235,345	235,345
Fund balances:			
Restricted for:			
Debt service	477,984	-	477,984
School infrastructure	1,632,342	-	1,632,342
Physical plant and equipment	-	491,077	491,077
Total fund balances	2,110,326	491,077	2,601,403
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>2,110,326</b>	<b>727,445</b>	<b>2,837,771</b>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	229,675	229,675
Other	15,592	27,469	43,061
State sources	489,609	117	489,726
Total revenues	<u>505,201</u>	<u>257,261</u>	<u>762,462</u>
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	2,800	2,800
Transportation services	-	93,643	93,643
Other expenditures:			
Facilities acquisition	24,786	77,045	101,831
Total expenditures	<u>24,786</u>	<u>173,488</u>	<u>198,274</u>
Excess (deficiency) of revenues over (under) expenditures	<u>480,415</u>	<u>83,773</u>	<u>564,188</u>
Other financing sources (uses):			
Operating transfers out	<u>(255,453)</u>	<u>(150,293)</u>	<u>(405,746)</u>
Change in fund balance	224,962	(66,520)	158,442
Fund balances beginning of year	<u>1,885,364</u>	<u>557,597</u>	<u>2,442,961</u>
Fund balance end of year	<u><u>2,110,326</u></u>	<u><u>491,077</u></u>	<u><u>2,601,403</u></u>

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	(2,378)	65,412	53,750	1,310	10,594
Annual	2,426	14,018	12,584	(650)	3,210
Buccaneer club	2,355	5,251	5,296	(1,273)	1,037
Drama/speech	2,692	5,367	3,073	(1,000)	3,986
FBLA	1,222	2,374	2,282	(250)	1,064
Feed store	180	1,034	1,536	418	96
FFA	3,204	29,606	11,588	-	21,222
Fitness club	265	-	-	-	265
Shop club	165	-	136	-	29
Library club	714	3,633	3,646	-	701
Marketing	26	-	-	-	26
Music	532	2,460	3,481	1,040	551
Newspaper	1,391	250	-	-	1,641
Pep band	1,955	2,653	2,800	(40)	1,768
Physics club	1,804	4,867	2,236	(200)	4,235
Spanish club	17	3,038	2,505	-	550
Speech	10	502	457	-	55
Elementary student council	9,401	2,332	3,916	1,275	9,092
Camp Wapsie Y	6,232	4,139	2,878	(1,275)	6,218
Softball fund raiser	656	2,544	2,106	(97)	997
Volleyball fund raiser	1,141	3,821	3,400	-	1,562
Girls basketball fund raiser	101	1,043	1,135	-	9
Girls track fund raiser	53	1,428	1,332	-	149
Boys track fund raiser	189	350	312	-	227
Boys basketball fund raiser	53	1,911	1,220	-	744
MS girls BB	338	2,073	2,021	-	390
Golf	1,394	942	1,265	-	1,071
Trapshooting fund raiser	12	100	-	-	112
Wrestling fund raiser	36	7,775	7,745	-	66
MS boys baseball	1,282	3,612	3,352	97	1,639
Football fund raiser	6,592	9,809	10,545	-	5,856
Music trip fund raiser	14,697	5,972	5,473	-	15,196
Sound system fund raiser	1,674	-	647	-	1,027
EB hoopsters club	744	878	995	-	627
Lil Buc boys basketball	367	435	325	-	477
Class of 2014	2,732	636	3,308	(60)	-
Class of 2015	1,586	8,236	8,486	710	2,046
Class of 2016	751	359	375	-	735
Class of 2017	485	250	56	50	729



## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Class of 2018	494	285	-	-	779
Class of 2019	220	145	-	-	365
Class of 2020	-	195	-	50	245
Interest	-	1,430	-	(1,430)	-
Student ins.	-	727	727	-	-
National Honor Society	30	243	303	150	120
Middle school student council	478	5,056	4,677	(165)	692
Cheerleading club	-	265	138	-	127
HS student council	1,761	10,980	12,452	1,340	1,629
Technology	1,275	-	-	-	1,275
	<u>71,354</u>	<u>218,436</u>	<u>184,559</u>	<u>-</u>	<u>105,231</u>
Total					

## EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,694,538	3,051,043	2,905,598	2,826,378	2,656,471	2,560,455	2,494,844	2,240,472	2,124,201	2,142,510
Tuition	485,477	379,391	326,413	267,314	211,718	154,387	182,822	198,534	78,929	108,939
Other	344,603	449,895	570,153	587,153	531,121	515,539	455,892	464,704	423,690	361,979
State sources	3,955,367	3,384,306	3,118,777	2,933,428	2,550,437	3,012,506	2,747,732	2,612,883	2,461,748	2,370,714
Federal sources	225,462	237,333	268,775	275,934	501,790	227,840	158,630	163,531	169,980	239,988
Total revenues	<u>7,705,447</u>	<u>7,501,968</u>	<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>
Expenditures:										
Instruction:										
Regular	2,749,418	2,649,957	3,430,187	2,532,558	2,344,056	2,327,183	2,428,627	2,274,328	2,240,325	2,259,994
Special	837,212	873,624	1,144,995	1,056,960	990,547	931,942	772,330	710,299	654,472	689,300
Other	770,393	777,362	660,328	721,519	681,557	656,427	504,403	477,960	452,809	488,937
Support services:										
Student	160,157	161,671	157,199	102,369	84,388	92,749	92,170	93,285	88,398	89,026
Instructional staff	238,449	238,816	244,173	206,587	185,701	168,952	157,946	129,403	152,772	89,778
Administration	680,213	693,521	565,793	700,982	533,595	536,855	510,429	649,162	564,177	523,854
Operation and maintenance	473,295	430,950	393,356	407,802	394,331	377,514	382,854	359,808	356,346	343,217
Transportation	443,841	333,041	312,493	410,563	365,875	281,872	301,677	347,069	279,916	215,302
Non-instructional programs	-	-	2,125	-	-	8	-	-	16,756	6,365
Other expenditures:										
Facilities acquisition	101,831	119,706	175,857	545,973	2,737,761	474,158	86,666	142,316	278,586	176,424
Long-term debt:										
Principal	257,077	260,853	85,000	-	64,361	86,493	61,845	37,225	65,634	218,625
Interest and other charges	148,669	142,387	142,097	143,542	98,148	5,469	7,737	32,357	1,430	10,402
AEA flowthrough	241,009	233,569	222,549	246,138	243,905	208,244	194,628	186,713	176,569	175,067
Total expenditures	<u>7,101,564</u>	<u>6,915,457</u>	<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>

See accompanying independent auditor's report.

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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 and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated XXXXXXXX xx, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Buchanan Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of East Buchanan Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A, 14-I-B and 14-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 which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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 the Findings

East Buchanan Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. East Buchanan Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

XXXXXXXX xx, 2015

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

14-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 segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

14-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.

14-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, 2014

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, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014 did not exceed the certified budget.
- 14-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.
- 14-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.
- 14-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 14-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.
- 14-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 14-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2013, was understated by 1 student.
- Recommendation: The District should implement controls to ensure accurate counts.
- District Response: We will review our procedures reporting correct enrollment.
- Conclusion: Response accepted.
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-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.
- 14-II-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-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.

EAST BUCHANAN COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2014

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

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, 2014, 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 2014 audit:

Beginning balance	\$	\$
		1,885,364
Revenues/transfers in:		
Statewide sales, services and use tax revenue	489,609	
Other local revenues	<u>15,592</u>	505,201
Expenditures/transfers out:		
School infrastructure construction	24,786	
Transfers to debt service fund	<u>255,453</u>	<u>280,239</u>
Ending balance		<u><u>2,110,326</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.