

TRI-CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014

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# Tri-Center Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

#### (Before September 2013 Election)

Rob Larsen	President	2013
Valerie Wham	Vice President	2015
Randy Morriss	Board Member	2013
Mike Eickenberry	Board Member	2013
Mike Pettit	Board Member	2015

#### (After September 2013 Election)

Valerie Wham	President	2015
Mike Pettit	Vice President	2015
Rob Larsen	Board Member	2017
Joe Turner	Board Member	2017
Jeff Anderson	Board Member	2017

### School Officials

Brett Nanninga	Superintendent	2014
Rhonda McKenzie	Business Manager/ Board Secretary	2014
Scott Rogers, Peters Law Firm	Attorney	2014
Brett Nitzschke, Lynch Dallas, P.C.	Attorney	2014
Elizabeth Grob, Ahlers & Cooney, P.C.	Attorney	2014

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(A professional corporation)**  
**117 West 3rd Street North, Newton, Iowa 50208-3040**  
**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Tri-Center 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 Tri-Center Community School District, Neola, 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 as 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 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 Tri Center Community School District as of June 30, 2014, and the respective changes in financial position and, when 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 Retiree Health Plan on pages 7 through 16 and 42 through 44 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 inquires 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 Tri-Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to 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 unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is present 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 December 15, 2014 on our consideration so Tri-Center 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, 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 per formed accordance with Government Auditing Standards in considering Tri-Center Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 15, 2014  
Newton, Iowa

**TRI-CENTER COMMUNITY SCHOOL DISTRICT**



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Tri-Center 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,464,259 in fiscal 2013 to \$7,660,413 in fiscal 2014, while General Fund expenditures decreased from \$7,849,576 in fiscal 2013 to \$7,703,495 in fiscal 2014. The District's General Fund balance decreased from \$257,360 at June 30, 2013 to \$214,278 at June 30, 2014, a 16.74% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in state moneys received by the District during fiscal 2014. The decrease in expenditures was due to decreases in transportation and technology expenditures.

### **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 Position and a Statement of Activities. These provide information about the activities of Tri-Center 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 Tri-Center 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 Tri-Center Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**Tri Center Community School District Annual Financial Report**

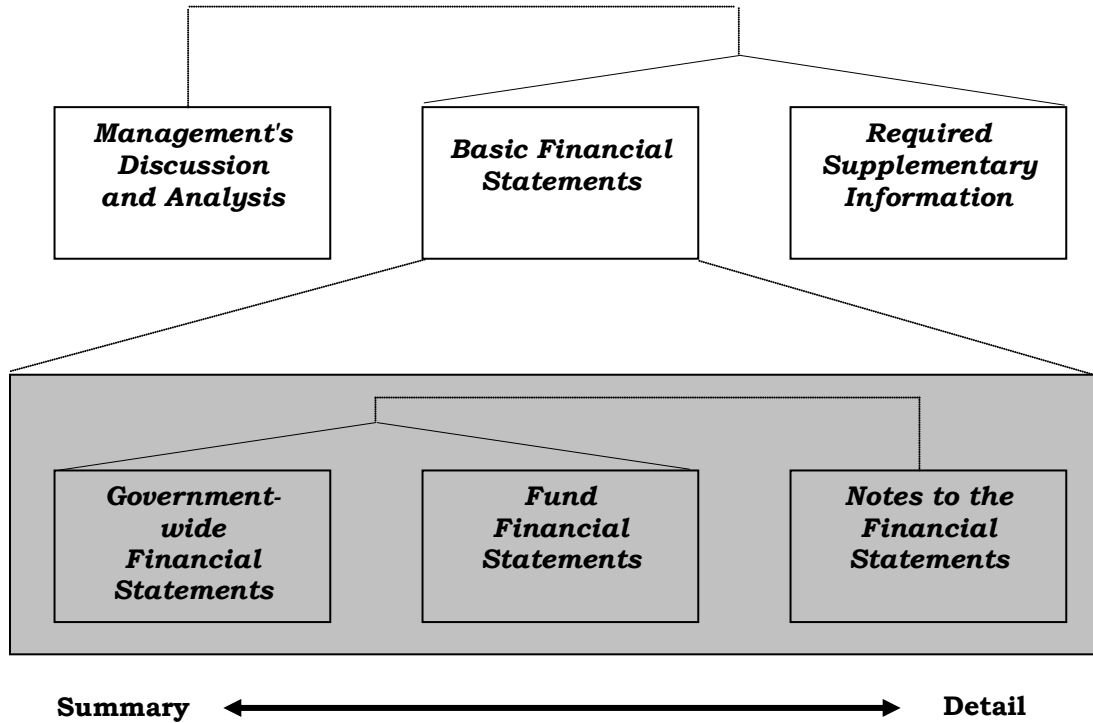




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Position.</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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## 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 Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 three 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, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for the 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.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

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

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

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,805,979	5,449,646	63,994	56,447	5,869,973	5,506,093	6.61%
Capital assets	9,882,124	9,663,697	84,503	94,289	9,966,627	9,757,986	2.14%
Total assets	15,688,103	15,113,343	148,497	150,736	15,836,600	15,264,079	3.75%
Long-term liabilities	5,892,017	5,698,716	8,750	7,038	5,900,767	5,705,754	3.42%
Other liabilities	1,120,882	979,418	32,441	33,949	1,153,323	1,013,367	13.81%
Total liabilities	7,012,899	6,678,134	41,191	40,987	7,054,090	6,719,121	4.99%
Deferred inflows of resources	3,239,831	3,087,876	-	-	3,239,831	3,087,876	4.92%
Net position:							
Net investment in capital assets	4,167,124	4,118,697	84,503	94,289	4,251,627	4,212,986	0.92%
Restricted	1,051,921	980,378	-	-	1,051,921	980,378	7.30%
Unrestricted	216,328	248,258	22,803	15,460	239,131	263,718	-9.32%
Total net position	\$ 5,435,373	5,347,333	107,306	109,749	5,542,679	5,457,082	1.57%

The District's total net position increased by 1.57%, or \$85,597, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$71,543, or 7.30% from the prior year. The increase was due primarily to an increase in fund balance for the Management Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$24,587 or 9.32%. The decrease in unrestricted net position is mainly attributable to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to year ended June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 858,076	892,389	224,598	231,209	1,082,674	1,123,598	-3.64%
Operating grants, contributions and restricted interest	649,153	644,094	136,980	140,892	786,133	784,986	0.15%
Capital grants, contributions and restricted interest	17,916	-	-	-	17,916	-	100.00%
General revenues:							
Property tax	3,056,189	2,999,914	-	-	3,056,189	2,999,914	1.88%
Income surtax	321,680	272,763	-	-	321,680	272,763	17.93%
Statewide sales, services and use tax	591,260	609,820	-	-	591,260	609,820	-3.04%
Unrestricted state grants	3,421,419	3,275,378	-	-	3,421,419	3,275,378	4.46%
Unrestricted investment earnings	6,404	9,725	40	76	6,444	9,801	-34.25%
Other	95,927	124,727	-	-	95,927	124,727	-23.09%
Total revenues	9,018,024	8,828,810	361,618	372,177	9,379,642	9,200,987	1.94%
Program expenses:							
Governmental activities:							
Instructional	5,184,018	5,340,263	-	-	5,184,018	5,340,263	-2.93%
Support services	2,907,436	2,907,056	-	-	2,907,436	2,907,056	0.01%
Non-instructional programs	8,370	7,786	365,654	385,824	374,024	393,610	-4.98%
Other expenses	828,567	812,521	-	-	828,567	812,521	1.97%
Total expenses	8,928,391	9,067,626	365,654	385,824	9,294,045	9,453,450	-1.69%
Excess(deficiency) of revenues over(under) expenditures	89,633	(238,816)	(4,036)	(13,647)	85,597	(252,463)	133.90%
Transfers	(1,593)	-	1,593	-	-	-	0.00%
Change in net position	88,040	(238,816)	(2,443)	(13,647)	85,597	(252,463)	133.90%
Net position beginning of year	5,347,333	5,586,149	109,749	123,396	5,457,082	5,709,545	-4.42%
Net position end of year	\$ 5,435,373	5,347,333	107,306	109,749	5,542,679	5,457,082	1.57%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 81.95% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$9.38 million of which approximately \$9.02 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.94% increase in revenues and a 1.69% decrease in expenses. Property tax increased approximately \$56,275 and unrestricted state grants increased \$146,041. The decrease in expenditures is related to decreases in transportation and technology expenditures.

### Governmental Activities

Revenues for governmental activities were \$9,018,024 and expenses were \$8,928,391 for the year ended June 30, 2014.

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 for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 5,184,018	5,340,263	-2.93%	3,952,617	4,063,725	-2.73%
Support services	2,907,436	2,907,056	0.01%	2,881,662	2,902,976	-0.73%
Non-instructional programs	8,370	7,786	7.50%	8,370	7,786	7.50%
Other expenses	828,567	812,521	1.97%	560,597	556,656	0.71%
Totals	\$ 8,928,391	9,067,626	-1.54%	7,403,246	7,531,143	-1.70%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$858,076.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$667,069.
- The net cost of governmental activities was financed with \$3,056,189 in property tax, \$321,680 in income surtax, \$591,260 in statewide sales, services and use tax, \$3,421,419 in unrestricted state grants, \$6,404 in interest income, and \$95,927 in other general revenues.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$361,618 representing a 2.84% decrease from the prior year, while expenses were \$365,654, a 5.23% decrease from the prior year. 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, investment income and capital contributions.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Tri-Center 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 combined fund balances of \$1,170,492, above last year's ending fund balances of \$1,128,877. The primary reason for the increase in combined fund balance can be attributed to the increase in fund balance for the Management Fund.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$257,360 at June 30, 2013 to \$214,278 at June 30, 2014. Increases in property tax and state funding led to an increase in General Fund revenues. A decrease in expenditures can be attributed to a decrease in transportation and technology expenditures. Overall, the District's General Fund balance decreased by \$43,082 in fiscal 2014.
- The Capital Projects Fund balance increased from \$81,492 at June 30, 2013 to \$105,154 at June 30, 2014. This increase can be attributed to unexpended bond proceeds from the issuance of \$610,000 in revenue bonds during fiscal year 2014.
- The Debt Service Fund balance increased from \$542,502 at June 30, 2013 to \$566,688 at June 30, 2014. The increase in fund balance is the result of an increase in property tax and interest received in the current year.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$109,749 at June 30, 2013 to \$107,306 at June 30, 2014 representing a decrease of 2.23%. The primary reason for the decrease in net position in the School Nutrition Fund is due to a reduction in meals served.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$378,576 less than budgeted revenues, a variance of 3.89%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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 disbursements 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 disbursements for the year.

In spite of the District's budgetary practice, the District exceeded its General Fund unspent authorized budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$9,966,627, 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 amount represents an

increase of 2.14% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$413,691.

The original cost of the District's capital assets was approximately \$15.96 million. Governmental funds account for approximately \$15.79 million, with the remainder of approximately \$0.17 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$552,989 reported at June 30, 2014. This increase resulted from beginning a sewer and lagoon project during fiscal year 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 12,669	12,669	-	-	12,669	12,669	0.00%
Construction in progress	552,989	-	-	-	552,989	-	100.00%
Buildings	7,934,021	8,136,442	-	-	7,934,021	8,136,442	-2.55%
Land improvements	959,410	1,053,152	-	-	959,410	1,053,152	-9.77%
Machinery and equipment	423,035	461,434	84,503	94,289	507,538	555,723	-9.49%
Total	\$ 9,882,124	9,663,697	84,503	94,289	9,966,627	9,757,986	2.14%

### Long-Term Debt

At June 30, 2014, the District had \$5,900,767 in total long-term debt outstanding. This represents an increase of 3.42% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

- The District had outstanding general obligation bonds of \$210,000 at June 30, 2014.
- The District had outstanding revenue bonds of \$5,505,000 at June 30, 2014.
- The District had outstanding termination benefits liability of \$10,765 at June 30, 2014.

The District had a net OPEB liability of \$175,002 at June 30, 2014. Governmental activities accounted for \$166,252 and business type activities account for \$8,750.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 210,000	410,000	-	-	210,000	410,000	-95.24%
Revenue bonds	5,505,000	5,135,000	-	-	5,505,000	5,135,000	6.72%
Net OPEB liability	166,252	133,716	8,750	7,038	175,002	140,754	19.57%
Termination benefits	10,765	20,000	-	-	10,765	20,000	-85.79%
Total	\$ 5,892,017	5,698,716	8,750	7,038	5,900,767	5,705,754	3.42%

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## **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:

- Unstable modified allowable growth over several years and a 10-year trend of declining enrollment continue to be a concern for the District.
- District transportation costs are experiencing an increase due to fuel costs, maintaining buses and the Districts 200 square mile daily routes. These costs are currently not offset with state funding.

## **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 Rhonda McKenzie, Business Manager/Board Secretary, Tri-Center Community School District, 33980 310<sup>th</sup> Street, Neola, Iowa, 51559.



## **BASIC FINANCIAL STATEMENTS**

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,952,714	36,437	1,989,151
Receivables:			
Property tax:			
Delinquent	28,652	-	28,652
Succeeding year	3,239,831	-	3,239,831
Income surtax	275,273	-	275,273
Accounts	65	26	91
Due from other governments	309,444	-	309,444
Inventories	-	27,531	27,531
Capital assets, net of accumulated depreciation	9,882,124	84,503	9,966,627
<b>TOTAL ASSETS</b>	<b>15,688,103</b>	<b>148,497</b>	<b>15,836,600</b>
<b>LIABILITIES</b>			
Accounts payable	338,571	-	338,571
Salaries and benefits payable	781,812	25,212	807,024
Accrued interest payable	499	-	499
Unearned revenue	-	7,229	7,229
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	210,000	-	210,000
Revenue bonds payable	260,000	-	260,000
Early retirement payable	10,765	-	10,765
Portion due after one year:			
Revenue bonds payable	5,245,000	-	5,245,000
Net OPEB liability	166,252	8,750	175,002
<b>TOTAL LIABILITIES</b>	<b>7,012,899</b>	<b>41,191</b>	<b>7,054,090</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,239,831	-	3,239,831
<b>NET POSITION</b>			
Net investment in capital assets	4,167,124	84,503	4,251,627
Restricted for:			
Categorical funding	106,971	-	106,971
Management levy purposes	222,843	-	222,843
Student activities	50,764	-	50,764
School infrastructure	104,056	-	104,056
Physical plant and equipment	1,098	-	1,098
Debt service	566,189	-	566,189
Unrestricted	216,328	22,803	239,131
<b>TOTAL NET POSITION</b>	<b>\$ 5,435,373</b>	<b>107,306</b>	<b>5,542,679</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular	\$ 3,454,920	542,336	110,408	-	(2,802,176)	-	(2,802,176)
Special	766,688	167,803	44,413	-	(554,472)	-	(554,472)
Other	962,410	147,435	219,006	-	(595,969)	-	(595,969)
	5,184,018	857,574	373,827	-	(3,952,617)	-	(3,952,617)
Support services:							
Student	265,439	-	3,888	-	(261,551)	-	(261,551)
Instructional staff	355,958	-	-	-	(355,958)	-	(355,958)
Administration	880,957	-	-	-	(880,957)	-	(880,957)
Operation and maintenance of plant	824,100	-	-	17,916	(806,184)	-	(806,184)
Transportation	580,982	502	3,468	-	(577,012)	-	(577,012)
	2,907,436	502	7,356	17,916	(2,881,662)	-	(2,881,662)
Non-instructional programs:							
Food service operations	8,370	-	-	-	(8,370)	-	(8,370)
Long-term debt interest							
	241,859	-	-	-	(241,859)	-	(241,859)
Other expenses:							
AEA flowthrough	267,970	-	267,970	-	-	-	-
Depreciation(unallocated)*	318,738	-	-	-	(318,738)	-	(318,738)
	586,708	-	267,970	-	(318,738)	-	(318,738)
Total governmental activities	8,928,391	858,076	649,153	17,916	(7,403,246)	-	(7,403,246)
Business type activities:							
Non-instructional programs:							
Food service operations	365,654	224,598	136,980	-	-	(4,076)	(4,076)
Total	\$ 9,294,045	1,082,674	786,133	17,916	(7,403,246)	(4,076)	(7,407,322)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,774,417	-	2,774,417
Capital outlay					71,008	-	71,008
Debt service					210,764	-	210,764
Income surtax					321,680	-	321,680
Statewide sales, services and use tax					591,260	-	591,260
Unrestricted state grants					3,421,419	-	3,421,419
Unrestricted investment earnings					6,404	40	6,444
Other					95,927	-	95,927
Transfers					(1,593)	1,593	-
Total general revenues					7,491,286	1,633	7,492,919
Change in net position					88,040	(2,443)	85,597
Net position beginning of year					5,347,333	109,749	5,457,082
Net position end of year					\$ 5,435,373	107,306	5,542,679

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 990,795	447	678,980	282,492	1,952,714
Receivables:					
Property tax:					
Delinquent	24,189	651	1,932	1,880	28,652
Succeeding year	2,595,958	227,387	216,486	200,000	3,239,831
Income surtax	275,273	-	-	-	275,273
Accounts	65	-	-	-	65
Due from other funds	21,243	-	-	-	21,243
Due from other governments	136,596	172,848	-	-	309,444
<b>TOTAL ASSETS</b>	<b>\$ 4,044,119</b>	<b>401,333</b>	<b>897,398</b>	<b>484,372</b>	<b>5,827,222</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	21,243	-	-	21,243
Accounts payable	176,798	47,549	114,224	-	338,571
Salaries and benefits payable	781,812	-	-	-	781,812
Total liabilities	958,610	68,792	114,224	-	1,141,626
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,595,958	227,387	216,486	200,000	3,239,831
Income surtax	275,273	-	-	-	275,273
Total deferred inflows of resources	2,871,231	227,387	216,486	200,000	3,515,104
Fund balances:					
Restricted for:					
Categorical funding	106,971	-	-	-	106,971
Management levy purposes	-	-	-	233,608	233,608
Student activities	-	-	-	50,764	50,764
School infrastructure	-	104,056	-	-	104,056
Physical plant and equipment	-	1,098	-	-	1,098
Debt service	-	-	566,688	-	566,688
Unassigned	107,307	-	-	-	107,307
Total fund balances	214,278	105,154	566,688	284,372	1,170,492
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,044,119</b>	<b>401,333</b>	<b>897,398</b>	<b>484,372</b>	<b>5,827,222</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER 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(page 20)</b>	\$ 1,170,492
<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 in the governmental funds.	9,882,124
Other long-term assets are not available to finance current year expenditures and, therefore, are recongnized as deferred inflows of resources in the governmental funds.	275,273
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.	(499)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other post employment benefits payable and termination benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(5,892,017)</u>
<b>Net position of governmental activites(page 18)</b>	<u><u>\$ 5,435,373</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,874,495	71,008	210,764	200,097	3,356,364
Tuition	685,435	-	-	-	685,435
Other	132,950	885	4,582	247,044	385,461
State sources	3,840,403	591,260	-	-	4,431,663
Federal sources	119,680	17,916	-	-	137,596
Total revenues	<u>7,652,963</u>	<u>681,069</u>	<u>215,346</u>	<u>447,141</u>	<u>8,996,519</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,345,367	-	-	58,196	3,403,563
Special	751,508	-	-	-	751,508
Other	691,773	-	-	246,600	938,373
	<u>4,788,648</u>	<u>-</u>	<u>-</u>	<u>304,796</u>	<u>5,093,444</u>
Support services:					
Student	259,631	-	-	-	259,631
Instructional staff	289,152	25,800	-	-	314,952
Administration	852,992	1,500	-	520	855,012
Operation and maintenance of plant	751,700	-	-	59,679	811,379
Transportation	493,402	39,620	-	25,576	558,598
	<u>2,646,877</u>	<u>66,920</u>	<u>-</u>	<u>85,775</u>	<u>2,799,572</u>
Non-instructional programs:					
Food service operations	-	-	-	8,370	8,370
Capital outlay	-	721,345	-	-	721,345
Long-term debt:					
Principal	-	-	440,000	-	440,000
Interest and fiscal charges	-	-	241,653	-	241,653
	<u>-</u>	<u>-</u>	<u>681,653</u>	<u>-</u>	<u>681,653</u>
Other expenditures:					
AEA flowthrough	267,970	-	-	-	267,970
Total expenditures	<u>7,703,495</u>	<u>788,265</u>	<u>681,653</u>	<u>398,941</u>	<u>9,572,354</u>
Excess(deficiency)of revenues over(under)expenditures	(50,532)	(107,196)	(466,307)	48,200	(575,835)
Other financing sources(uses):					
Transfer in	-	-	490,493	-	490,493
Transfer out	-	(479,142)	-	(11,351)	(490,493)
Proceeds from issuance of revenue bonds	-	610,000	-	-	610,000
Sale of equipment	7,450	-	-	-	7,450
Total other financing sources(uses)	<u>7,450</u>	<u>130,858</u>	<u>490,493</u>	<u>(11,351)</u>	<u>617,450</u>
Change in fund balances	(43,082)	23,662	24,186	36,849	41,615
Fund balances beginning of year	<u>257,360</u>	<u>81,492</u>	<u>542,502</u>	<u>247,523</u>	<u>1,128,877</u>
Fund balances end of year	<u>\$ 214,278</u>	<u>105,154</u>	<u>566,688</u>	<u>284,372</u>	<u>1,170,492</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**TRI-CENTER 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(page 22)</b>	\$	41,615
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*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. The amounts of capital outlays, depreciation expense and loss on disposal for the year are as follows:

Capital outlays	\$ 624,766	
Depreciation expense	(400,277)	
Loss on disposal	<u>(6,062)</u>	218,427

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments as follows:

Issued	(610,000)	
Repaid	<u>440,000</u>	(170,000)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		21,505
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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.		(206)
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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	9,235	
Other postemployment benefits	<u>(32,536)</u>	<u>(23,301)</u>

<b>Change in net position of governmental activities(page 19)</b>	\$	<u><u>88,040</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	Enterprise, School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 36,437
Accounts receivable	26
Inventories	27,531
Capital assets, net of accumulated depreciation	84,503
<b>TOTAL ASSETS</b>	<b>148,497</b>
 <b>LIABILITIES</b>	
Salaries and benefits payable	25,212
Unearned revenue	7,229
Net OPEB liability	8,750
<b>TOTAL LIABILITIES</b>	<b>41,191</b>
 <b>NET POSITION</b>	
Invested in capital assets	84,503
Unrestricted	22,803
<b>TOTAL NET POSITION</b>	<b>\$ 107,306</b>

SEE NOTES TO FINANCIAL STATEMENTS.



TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 224,598
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	166,527
Benefits	34,443
Services	1,950
Supplies	149,147
Depreciation	13,414
Total operating expenses	365,481
Operating loss	(140,883)
Non-operating revenues(expenses):	
State sources	3,018
Federal sources	133,962
Interest on investments	40
Loss on asset disposal	(173)
Total non-operating revenues(expenses)	136,847
Net loss before other financing sources	(4,036)
Other financing sources:	
Capital contribution	1,593
Change in net position	(2,443)
Net position beginning of year	109,749
Net position end of year	\$ 107,306

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 225,516
Cash payments to employees for services	(201,557)
Cash payments to suppliers for goods or services	(132,119)
Net cash used in operating activities	(108,160)
Cash flows from non-capital financing activities:	
State grants received	3,018
Federal grants received	114,390
Net cash provided by non-capital financing activities	117,408
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,208)
Cash flows from investing activities:	
Interest on investments	40
Net increase in cash and cash equivalents	7,080
Cash and cash equivalents beginning of year	29,357
Cash and cash equivalents end of year	\$ 36,437
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (140,883)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,572
Depreciation	13,414
Increase in inventories	(594)
Decrease in accounts receivable	127
Decrease in salaries and benefits payable	(2,299)
Increase in unearned revenue	791
Increase in other postemployment benefits	1,712
Net cash used in operating activities	\$ (108,160)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$19,572.

During the year ended June 30, 2014, the Nutrition Fund received capital contributions of \$1,593 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<b>ASSETS</b>		
Cash and pooled investments	\$	43,388
<b>LIABILITIES</b>		
		-
<b>NET POSITION</b>		
Restricted for scholarships	\$	43,388

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	2,150
Interest income	\$ 310
Total additions	<u>2,460</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,750</u>
Change in net position	710
Net position beginning of year	<u>42,678</u>
Net position end of year	<u>\$ 43,388</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies**

The Tri-Center 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Neola, Minden and Persia, Iowa, and the predominate agricultural territory in Harrison, Pottawattamie and Shelby Counties. 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, Tri-Center 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 Tri-Center 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 Harrison, Pottawattamie and Shelby Counties Assessors' 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three 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 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 two preceding categories. Unrestricted net position is often subject to 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 other 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 receipts that are 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principle on the District's general long-term debt.

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 reports the following non major proprietary fund.

The Enterprise, School Nutrition 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 judgments, 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 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 the 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 Balances**

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 1½% 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.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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



Deferred Inflows of Resources - 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 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

*Unassigned* - All amounts not included in other spendable classifications.

## **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

### **(2) Cash and Pooled Investments**

The District's deposits 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 no investments.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects: Statewide Sales Services and Use Tax	\$ 21,243

The Statewide Sales, Services and Use Tax Fund is repaying the General Fund for cash borrowed to pay vendors at year end.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 474,223
Debt Service	Management Levy	11,351
Debt Service	Capital Projects: Physical Plant and Equipment Levy	4,919
Total		\$ 490,493

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to pay the principal and interest on the District's revenue bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was to correct 2011 property taxes that were receipted into the incorrect fund.

The transfer from the Management Levy Fund to the Debt Service Fund was to correct 2011 property taxes that were receipted into the incorrect fund.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 169,847	3,801	693	172,955
Less accumulated depreciation	75,558	13,414	520	88,452
Business type activities capital assets, net	\$ 94,289	(9,613)	173	84,503

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	-	-	12,669
Construction in progress	-	552,989	-	552,989
Total capital assets not being depreciated	12,669	552,989	-	565,658
Capital assets being depreciated:				
Buildings	11,211,020	22,575	-	11,233,595
Land improvements	1,875,935	-	-	1,875,935
Machinery and equipment	2,213,537	49,202	146,835	2,115,904
Total capital assets being depreciated	15,300,492	71,777	146,835	15,225,434
Less accumulated depreciation for:				
Buildings	3,074,578	224,996	-	3,299,574
Land improvements	822,783	93,742	-	916,525
Machinery and equipment	1,752,103	81,539	140,773	1,692,869
Total accumulated depreciation	5,649,464	400,277	140,773	5,908,968
Total capital assets being depreciated, net	9,651,028	(328,500)	6,062	9,316,466
Governmental activities capital assets, net	\$ 9,663,697	224,489	6,062	9,882,124

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,095
Other		7,359
Support services:		
Instructional staff		34,252
Administration		4,595
Operation and maintenance of plant		6,004
Transportation		15,234
		81,539
Unallocated depreciation		318,738
Total governmental activities depreciation expense		\$ 400,277
Business type activities:		
Food service operations		\$ 13,414

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 410,000	-	200,000	210,000	210,000
Revenue bonds	5,135,000	610,000	240,000	5,505,000	260,000
Termination benefits	20,000	-	9,235	10,765	10,765
Net OPEB liability	133,716	32,536	-	166,252	-
Total	\$ 5,698,716	642,536	449,235	5,892,017	480,765

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 7,038	1,712	-	8,750	-

### General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 5, 2010			
	Interest Rates	Principal	Interest	Total
2015	2.85 %	\$ 210,000	5,985	215,985

### Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2009				Bond Issue of July 1, 2013				Total		
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Principle	Interest	Total
2015	3.20 %	\$ 225,000	213,873	438,873	0.70 %	\$ 35,000	10,976	45,976	260,000	224,849	484,849
2016	3.40	225,000	206,448	431,448	0.85	45,000	10,730	55,730	270,000	217,178	487,178
2017	3.60	240,000	198,303	438,303	1.00	35,000	10,348	45,348	275,000	208,651	483,651
2018	3.80	250,000	189,233	439,233	1.20	35,000	9,998	44,998	285,000	199,231	484,231
2019	4.00	260,000	179,282	439,282	1.40	35,000	9,578	44,578	295,000	188,860	483,860
2020-2024	4.15-4.65	1,480,000	715,509	2,195,509	1.85-2.35	170,000	39,426	209,426	1,650,000	754,935	2,404,935
2025-2029	4.75-4.85	1,830,000	332,961	2,162,961	2.45-2.90	215,000	17,826	232,826	2,045,000	350,787	2,395,787
2030	4.90	425,000	10,413	435,413					425,000	10,413	435,413
Total		\$ 4,935,000	2,046,021	6,981,021		\$ 570,000	108,882	678,882	5,505,000	2,154,903	7,659,903

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,510,000 bonds issued July 2009 and \$610,000 July 2013. The bonds were issued for the purpose of financing various infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services use tax 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 limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 82% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,659,903. For the current year, principal of \$240,000 and interest of \$231,719 was paid on the bonds and the total statewide sales, services and use tax revenues were \$591,260.

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

- a) \$450,630 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to use for any lawful purpose.

Termination Benefits (Early Retirement)

In fiscal year 2013 the District offered an early retirement incentive plan to full time certified staff. Eligible staff were required to be 55 years old on or before June 30, 2013 and have completed at least twenty-five years of contracted service with the Tri-Center Community School District. The employee was required to complete an application which was approved by Tri-Center Community School District's Board of Education.

The early retirement incentive is a cash payment of \$20,000, made in four installments paid over two years. Upon retirement, the retiree may choose to continue coverage on the District's insurance plan at the employee's cost. For the year ended June 30, 2014, the District paid \$9,235 in early retirement benefits.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 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 contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$409,335, \$392,846 and \$353,386, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 81 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, 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	\$	46,579
Interest on net OPEB obligation		3,519
Adjustment to annual required contribution		(9,886)
Annual OPEB cost		<u>40,212</u>
Contributions made		<u>(5,964)</u>
Increase in net OPEB obligation		34,248
Net OPEB obligation beginning of year		<u>140,754</u>
Net OPEB obligation end of year	\$	<u><u>175,002</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$5,964 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$50,356	26.5%	\$109,569
2013	\$37,003	15.7%	\$140,754
2014	\$40,212	14.8%	\$175,002

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 \$331,805, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$331,805. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,098,120 and the ratio of the UAAL to covered payroll was 8.10%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates 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, presents 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$438 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$267,970 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.

**(11) Categorical Funding**

The District’s ending restricted balances for categorical funding at June 30, 2014 is comprised of the following projects:

Program	Amount
Gifted and talented programs	\$ 10,204
Teacher salary supplement	56,132
Professional development	2,292
Professional development for model core curriculum	13,570
Teacher leadership grants	7,516
Successful progression for early readers	17,257
Total	<u>\$ 106,971</u>

**(12) Construction Commitment**

The District entered into contracts totaling \$617,408 for the construction of a sewer and lagoon project. As of June 30, 2014, costs of \$552,989 had been incurred against the contracts. The balance of \$64,419 remaining at June 30, 2014 will be paid as work on the projects progress.

**(13) 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.

**(14) Operating Lease**

The District entered into an operating lease for 3 buses with Mercedes-Benz Financial Services USA LLC on August 15, 2013. The remaining principal and interest payments over the next two years are presented below:

Year Ending June 30,	Lease dated August 15, 2013				
	Interest Rates		Principal	Interest	Total
2015	2.363	% \$	34,300	5,320	39,620
2016	2.363		35,110	4,510	39,620
Total		\$	69,410	9,830	79,240

**(15) Budget Overexpenditure**

During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.



**REQUIRED SUPPLEMENTARY INFORMATION**

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON 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	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 4,427,260	224,638	4,651,898	5,511,276	5,511,276	(859,378)
State sources	4,431,663	3,018	4,434,681	3,849,437	3,849,437	585,244
Federal sources	137,596	133,962	271,558	376,000	376,000	(104,442)
Total revenues	8,996,519	361,618	9,358,137	9,736,713	9,736,713	(378,576)
<b>Expenditures/Expenses:</b>						
Instruction	5,093,444	-	5,093,444	5,310,000	5,310,000	216,556
Support services	2,799,572	-	2,799,572	3,285,000	3,285,000	485,428
Non-instructional programs	8,370	365,654	374,024	563,500	563,500	189,476
Other expenditures	1,670,968	-	1,670,968	1,798,916	1,798,916	127,948
Total expenditures/expenses	9,572,354	365,654	9,938,008	10,957,416	10,957,416	1,019,408
Deficiency of revenues under expenditures/expenses	(575,835)	(4,036)	(579,871)	(1,220,703)	(1,220,703)	640,832
Other financing sources, net	617,450	1,593	619,043	612,500	612,500	(6,543)
Excess(deficiency)of revenues over(under) expenditures/expenses and other financing sources	41,615	(2,443)	39,172	(608,203)	(608,203)	647,375
Balances beginning of year	1,128,877	109,749	1,238,626	885,227	885,227	(353,399)
Balances end of year	\$ 1,170,492	107,306	1,277,798	277,024	277,024	1,000,774

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, 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, the District exceeded its General Fund unspent authorized budget.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)

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	\$ -	\$ 390	\$ 390	0.0%	\$ 2,390	16.32%
2011	July 1, 2009	-	390	390	0.0	3,836	10.17
2012	July 1, 2009	-	390	390	0.0	3,999	9.75
2013	July 1, 2012	-	332	332	0.0	4,010	8.28
2014	July 1, 2012	-	332	332	0.0	4,098	8.10

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**SUPPLEMENTARY INFORMATION**

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 231,728	50,764	282,492
Receivables:			
Property tax:			
Delinquent	1,880	-	1,880
Succeeding year	200,000	-	200,000
<b>TOTAL ASSETS</b>	<b>\$ 433,608</b>	<b>50,764</b>	<b>484,372</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 200,000	-	200,000
Fund balances:			
Restricted for:			
Management levy purposes	233,608	-	233,608
Student activities	-	50,764	50,764
Total fund balances	233,608	50,764	284,372
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 433,608</b>	<b>50,764</b>	<b>484,372</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 200,097	-	200,097
Other	6,117	240,927	247,044
Total revenues	<u>206,214</u>	<u>240,927</u>	<u>447,141</u>
Expenditures:			
Current:			
Instruction:			
Regular	58,196	-	58,196
Other	-	246,600	246,600
Support services:			
Administration	520	-	520
Operation and maintenance of plant	59,679	-	59,679
Transportation	25,576	-	25,576
	<u>143,971</u>	<u>246,600</u>	<u>390,571</u>
Non-instructional programs:			
Food service operations	8,370	-	8,370
Total expenditures	<u>152,341</u>	<u>246,600</u>	<u>398,941</u>
Excess(deficiency) of revenues over(under) expenditures	53,873	(5,673)	48,200
Other financing uses:			
Transfer out	(11,351)	-	(11,351)
Change in fund balances	42,522	(5,673)	36,849
Fund balances beginning of year	<u>191,086</u>	<u>56,437</u>	<u>247,523</u>
Fund balances end of year	<u>\$ 233,608</u>	<u>50,764</u>	<u>284,372</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER 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 and pooled investments	\$ -	447	447
Receivables:			
Property tax:			
Delinquent	-	651	651
Succeeding year	-	227,387	227,387
Due from other governments	154,932	17,916	172,848
<b>TOTAL ASSETS</b>	<b>\$ 154,932</b>	<b>246,401</b>	<b>401,333</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 21,243	-	21,243
Accounts payable	29,633	17,916	47,549
Total liabilities	50,876	17,916	68,792
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	227,387	227,387
Fund balances:			
Restricted for:			
School infrastructure	104,056	-	104,056
Physical plant and equipment	-	1,098	1,098
Total fund balances	104,056	1,098	105,154
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 154,932</b>	<b>246,401</b>	<b>401,333</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



TRI-CENTER COMMUNIT 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	\$ -	71,008	71,008
Other	884	1	885
State sources	591,260	-	591,260
Federal sources	-	17,916	17,916
Total revenues	<u>592,144</u>	<u>88,925</u>	<u>681,069</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	25,800	25,800
Administration	1,500	-	1,500
Transportation	-	39,620	39,620
	<u>1,500</u>	<u>65,420</u>	<u>66,920</u>
Capital outlays	<u>701,836</u>	<u>19,509</u>	<u>721,345</u>
Total expenditures	<u>703,336</u>	<u>84,929</u>	<u>788,265</u>
Excess(deficiency) of revenues over(under) expenditures	(111,192)	3,996	(107,196)
Other financing sources(uses):			
Transfer out	(474,223)	(4,919)	(479,142)
Proceeds from revenue bonds	610,000	-	610,000
Total other financing sources(uses)	<u>135,777</u>	<u>(4,919)</u>	<u>130,858</u>
Change in fund balances	24,585	(923)	23,662
Fund balances beginning of year	<u>79,471</u>	<u>2,021</u>	<u>81,492</u>
Fund balances end of year	<u>\$ 104,056</u>	<u>1,098</u>	<u>105,154</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 846	965	1,141	670
Cross Country	322	1,690	1,320	692
Boys Basketball	2,568	4,485	5,974	1,079
Football	5,228	11,875	16,499	604
Boys Soccer	75	1,437	1,395	117
Girls Soccer	106	3,145	3,131	120
Baseball	577	6,554	6,740	391
Boys Track	205	1,663	1,749	119
Golf	251	1,652	1,715	188
Wrestling	2,372	2,453	3,925	900
Girls Basketball	3,764	5,599	6,493	2,870
Volleyball	1,223	11,118	9,582	2,759
Summer Softball	760	6,739	7,345	154
Girls Track	547	3,642	3,779	410
Misc Athletics	295	5,183	4,737	741
General Activity	280	3,226	3,145	361
Class of 2015	239	7,373	4,671	2,941
B.O.B	-	722	-	722
Book Fair	79	3,768	3,020	827
Flags	165	658	401	422
Leadership	63	3,312	3,112	263
Class of 2014	3,399	1,911	5,310	-
Bowling	2	1,869	1,853	18
Yearbook	2,404	7,758	8,175	1,987
Student Council-Persia	166	875	777	264
Student Council	1,434	1,534	1,629	1,339
Elementary Student Council	1,748	197	251	1,694
Musicals	1,933	5,438	3,474	3,897
TC Store	1,900	672	-	2,572
Elementary Yearbook	283	1,100	694	689
Special Education Athletics	3,183	-	703	2,480
High School Cheerleaders	1,173	3,283	3,165	1,291
Drill Team	4,178	1,403	4,108	1,473
Suess Reading	862	2,352	1,667	1,547
Elementary Art Club	2,166	2,519	1,839	2,846
R & W contest	-	500	-	500
National Honor Society	316	680	648	348
Astra	304	589	624	269
FFA	8,975	30,294	30,980	8,289
Vending	1,505	6,231	6,765	971
Band Resale	489	1,375	976	888
Trojan Fit Club	52	-	-	52
Trip	-	83,088	83,088	-
Total	\$ 56,437	240,927	246,600	50,764

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship			
	Hamann Scholarship	Welbourene Scholarship	Pieper Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 30,163	515	12,710	43,388
LIABILITIES				
	-	-	-	-
NET POSITION				
Restricted for scholarships	\$ 30,163	515	12,710	43,388

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship			Total
	Hamann Scholarship	Welbourene Foundation	Pieper Scholarship	
Additions:				
Local sources:				
Gifts and contributions	1,290	-	860	2,150
Interest income	\$ 135	-	175	310
Total additions	1,425	-	1,035	2,460
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	1,500	-	250	1,750
Change in net position	(75)	-	785	710
Net position beginning of year	30,238	515	11,925	42,678
Net position end of year	\$ 30,163	515	12,710	43,388

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**TRI-CENTER 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	\$ 3,356,364	3,884,418	3,794,268	3,868,868	3,280,365	3,261,605	2,782,176	2,423,778	2,398,369	2,285,136
Tuition	685,435	689,429	818,920	857,411	654,007	597,224	645,367	536,115	498,842	526,330
Other	385,461	454,058	394,847	353,723	550,408	506,560	413,074	443,285	357,153	333,558
Intermediate sources	-	-	-	-	-	-	-	-	-	18,862
State sources	4,431,663	3,661,148	3,768,733	3,512,773	3,192,111	3,794,638	3,941,911	3,611,309	3,373,903	3,099,837
Federal sources	137,596	141,678	146,852	518,017	488,544	220,280	175,522	186,544	179,102	314,822
<b>Total</b>	<b>\$ 8,996,519</b>	<b>8,830,731</b>	<b>8,923,620</b>	<b>9,110,792</b>	<b>8,165,435</b>	<b>8,380,307</b>	<b>7,958,050</b>	<b>7,201,031</b>	<b>6,807,369</b>	<b>6,578,545</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,403,563	3,506,776	3,380,264	3,304,609	3,187,135	3,899,837	3,036,371	2,981,854	2,670,044	2,582,164
Special	751,508	856,984	886,296	810,352	781,259	48,258	683,419	632,454	600,306	695,169
Other	938,373	974,890	774,092	747,311	749,792	594,809	718,634	648,224	618,370	520,746
Support services:										
Student	259,631	238,225	234,700	246,667	242,324	222,809	237,700	223,160	221,364	215,521
Instructional staff	314,952	334,087	168,817	223,701	357,346	150,760	142,267	176,587	219,886	188,093
Administration	855,012	726,184	808,543	832,993	772,575	795,844	782,199	844,635	667,394	631,440
Operation and maintenance of plant	811,379	827,352	851,363	871,904	815,439	731,850	741,138	718,495	743,051	578,909
Transportation	558,598	570,017	537,603	498,198	581,469	564,420	490,226	527,941	535,955	386,175
Non-instructional programs	8,370	7,786	6,408	4,200	7,654	6,466	6,564	13,536	5,815	8,907
Capital outlay	721,345	54,795	271,655	1,209,165	4,202,097	382,007	442,003	159,016	934,601	240,274
Long-term debt:										
Principal	440,000	385,000	380,000	370,000	235,000	225,000	295,599	437,550	240,000	287,498
Interest and fiscal charges	241,653	241,341	369,785	264,894	156,888	69,835	65,227	78,178	77,545	114,560
Other expenditures:										
AEA flow-through	267,970	255,865	255,250	284,824	285,263	263,375	256,930	238,260	219,625	204,512
<b>Total</b>	<b>\$ 9,572,354</b>	<b>8,979,302</b>	<b>8,924,776</b>	<b>9,668,818</b>	<b>12,374,241</b>	<b>7,955,270</b>	<b>7,898,277</b>	<b>7,679,890</b>	<b>7,753,956</b>	<b>6,653,968</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**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 the Tri-Center Community School District:**

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District as 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 December 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tri-Center 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 Tri-Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri-Center 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, there can be no assurance all deficiencies, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Tri-Center 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.

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.

### **Tri-Center Community School District's Responses to Findings**

Tri-Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Tri-Center 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 of 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 Tri-Center 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.



NOLTE, CORNMAN & JOHNSON, P.C.

December 15, 2014  
Newton, Iowa

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and maintaining inventory records.
- 4) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Wire transfers - processing and approving.
- 7) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - writing, posting and approval.

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

Response - We will continue to look for ways to improve our segregation of duties.

Conclusion - Response accepted.

**Other Matters:**

I-B-14 Board Policies - We noted during our audit that the District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum of every five years.



Response - We are currently working on updating the board policies.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - We noted the District exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by approximately \$480,000.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee (SBRC) to resolve the General Fund unspent authorized budget overexpenditure.

Response - We have contacted the SBRC regarding this matter. The District has also formulated a plan and scheduled a meeting with SBRC.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - 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.

II-C-14 Travel Expense - 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.

II-D-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students certified to the state was overstated by 1.0 student.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-14 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.5 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, 2014, the following information includes the amounts the District 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		\$	79,471
Revenues:			
Sales tax revenues	\$	591,260	
Other local revenues		884	
Sale of long-term debt		610,000	1,202,144
			<u>1,281,615</u>
Expenditures/Transfer out:			
School infrastructure construction	\$	693,111	
Equipment		8,725	
Other		1,500	
Transfer to other funds:			
Debt service fund		474,223	1,177,559
			<u>1,177,559</u>
Ending balance		\$	<u><u>104,056</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.

II-M-14 Signing of Contracts - We noted during our audit that the Superintendent signed a contract to enter into a bus lease. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The Board President will sign all contracts in the future.

Conclusion - Response accepted.