

**Tripoli Community School District**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2006**

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## Independent Auditor's Report

To the Board of Education of  
Tripoli Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District, Tripoli, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Tripoli Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 4, 2006 on my consideration of Tripoli Community School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tripoli Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Keith Oltrogge  
Certified Public Accountant

October 4, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Tripoli 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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,681,196 in fiscal 2005 to \$3,804,630 in fiscal 2006, and General Fund expenditures increased from \$3,547,125 in fiscal 2005 to \$3,728,041 in fiscal 2006. The District's General Fund balance increased from \$669,536 in fiscal year 2005 to \$746,135 in fiscal year 2006, a 10% increase.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal year 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- The increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 16.0% in 2005 to 18.3 % in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tripoli 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 Tripoli 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 Tripoli Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

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

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

**Figure A-1**  
**Tripoli Community School District Annual Financial Report**

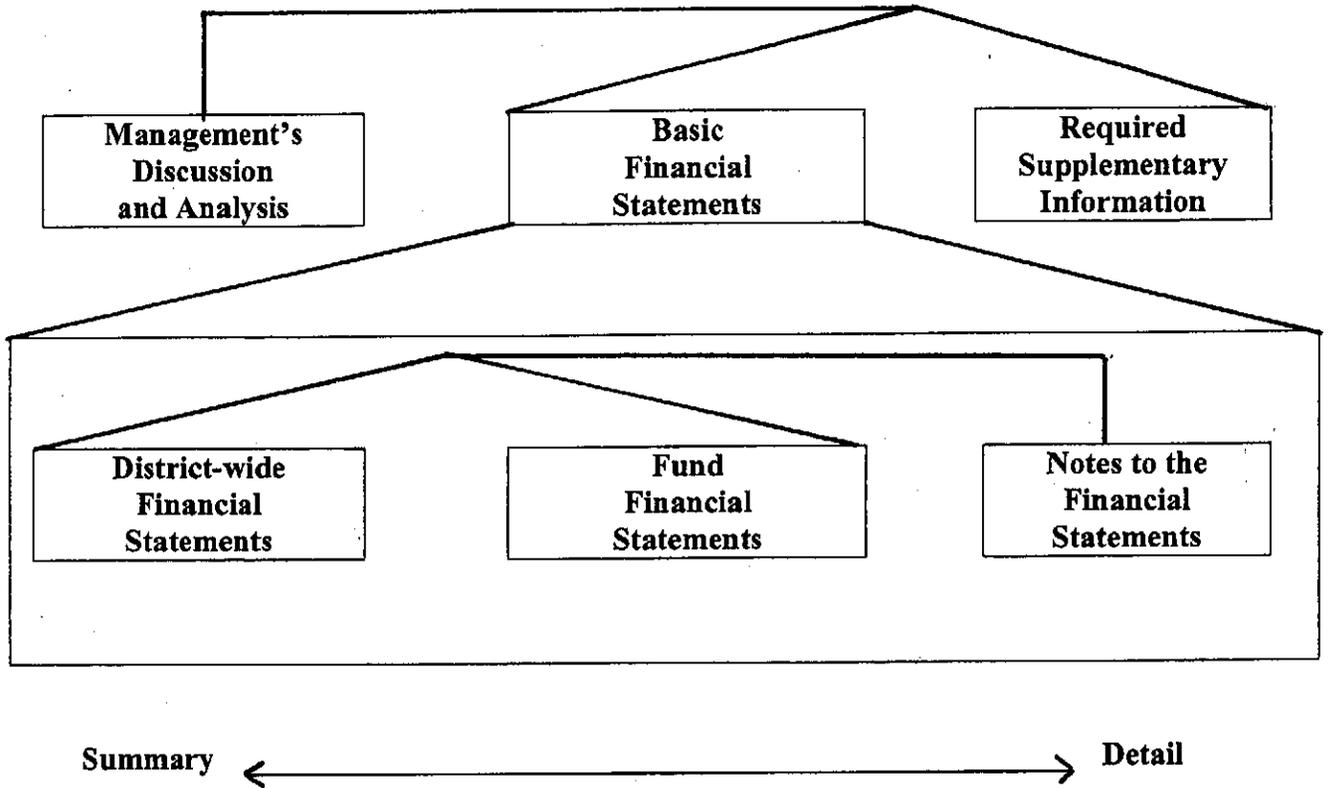


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District’s net assets at June 30, 2006 compared to June 30, 2005.

**Figure A-3  
Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$2,986,688	\$2,793,566	\$88,246	\$68,058	\$3,074,934	\$2,861,624	\$213,310
Capital assets	4,713,812	4,560,287	37,829	31,603	4,751,641	4,591,890	159,751
Total assets	\$7,700,500	\$7,353,853	\$126,075	\$99,661	\$7,826,575	\$7,453,514	\$373,061
Long-term liabilities	\$547,824	\$591,083	\$-	\$-	\$547,824	\$591,083	-\$43,259
Other liabilities	1,941,048	1,851,134	8,438	9,062	1,949,486	1,860,196	89,290
Total liabilities	\$2,488,872	\$2,442,217	\$8,438	\$9,062	\$2,497,310	\$2,451,279	\$46,031
Net assets:							
Invested in capital assets, net of related debt	\$4,485,654	\$4,263,243	\$37,829	\$31,603	\$4,523,483	\$4,294,846	\$228,637
Restricted	63,875	102,182	-	-	63,875	102,182	-38,307
Unrestricted	662,099	546,211	79,808	58,996	741,907	605,207	136,700
Total net assets	\$5,211,628	\$4,911,636	\$117,637	\$90,599	\$5,329,265	\$5,002,235	\$327,030

The District’s combined net assets increased by nearly 6.1 %, or \$327,030, over the prior year. The largest portion of the District’s net assets is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets decreased by \$38,307, or 35.8% over the prior year. The decrease was primarily a result of a decrease in other general fund reserved assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$136,700, or 18.4%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

**Figure A-4  
Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for service	\$405,341	\$132,025	\$537,366
Operating grants, contributions and restricted interest	411,546	79,586	491,132
Capital grants, contributions and restricted interest	-	-	-
<b>General revenues:</b>			
Property tax	1,564,509	-	1,564,509
Local option sales & services tax	252,324	-	252,324
Unrestricted state grants	1,833,891	-	1,833,891
Unrestricted investment earnings	32,797	906	33,703
Other	39,720	-	39,720
<b>Total revenues</b>	<b>\$4,540,128</b>	<b>\$212,517</b>	<b>\$4,752,645</b>
<b>Program expenses:</b>			
<b>Governmental activities:</b>			
Instruction	\$3,066,751	\$-	\$3,066,751
Support services	1,017,381	-	1,017,381
Non-instructional programs	-	185,479	185,479
Other expenses	156,014	-	156,014
<b>Total expenses</b>	<b>\$4,240,146</b>	<b>\$185,479</b>	<b>\$4,425,625</b>
<b>Change in net assets</b>	<b>\$299,982</b>	<b>\$27,038</b>	<b>\$327,020</b>

Property tax and unrestricted state grants account for 71.5% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 92.3% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$4,540,128 and expenses were \$4,240,146. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

**Figure A-5  
Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,066,751	\$2,257,510
Support services	1,017,381	1,009,735
Non-instructional programs	-	-
Other expenses	156,014	156,014
<b>Totals</b>	<b>\$4,240,146</b>	<b>\$3,423,259</b>

- The cost financed by users of the District's programs was \$537,366.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$491,132.
- The net cost of governmental activities was financed with \$1,816,833 in property and other taxes and \$1,833,891 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$212,517 and expenses were \$185,479. The District's business type activities include the School Nutrition Fund, and Before and After School Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,046,545, well above last year's ending fund balances of \$943,608.

### BUDGETARY HIGHLIGHTS

Over the course of the year, Tripoli Community School District amended its annual budget one time to reflect additional expenditures.

The District's receipts were \$141,526 more than budgeted receipts, a variance of 3%.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2006, the District had invested \$4,751,641, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$261,443.

The original cost of the District's capital assets was \$7,944,629. Governmental funds account for \$7,880,580, with the remainder of \$64,049 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	2005-2006
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	\$-
Buildings	4,098,892	4,155,667	-	-	4,098,892	4,155,667	-56,775
Improvements other than buildings	112,238	107,216	-	-	112,238	107,216	5,022
Furniture and equipment	469,182	263,904	37,829	31,603	507,011	295,507	211,504
<b>Totals</b>	<b>\$4,713,812</b>	<b>\$4,560,287</b>	<b>\$37,829</b>	<b>\$31,603</b>	<b>\$4,751,641</b>	<b>\$4,591,890</b>	<b>\$159,751</b>

**Long-Term Debt**

At June 30, 2006, the District had \$547,824 in other long-term debt outstanding. This represents a decrease of 7.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7  
Outstanding Long-term Obligations**

	Total District June 30, 2006	Total Change June 30, 2005-2006
Notes payable	\$228,158	\$297,044
Early retirement	319,666	25,627
Totals	<b>\$547,824</b>	<b>-\$43,259</b>

**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 Phyllis Schnurstein, District Secretary/Treasurer, Tripoli Community School District, 209 8<sup>th</sup> Avenue SW, Tripoli IA 50676.

## **Basic Financial Statements**

## Tripoli Community School District

## Statement of Net Assets

June 30, 2006

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Restricted	\$ 300,000	\$ -	\$ 300,000
Other	925,446	80,895	1,006,341
Receivables:			
Property tax:			
Delinquent	18,684	-	18,684
Succeeding year	1,529,797	-	1,529,797
Accounts	21,076	485	21,561
Prepaid expenses	63,875	-	63,875
Due from other funds	48,106	-	48,106
Due from other governments	79,704	-	79,704
Inventories	-	6,866	6,866
Capital assets, net of accumulated depreciation	4,713,812	37,829	4,751,641
<b>Total Assets</b>	<b>\$ 7,700,500</b>	<b>\$ 126,075</b>	<b>\$ 7,826,575</b>
<b>Liabilities</b>			
Accounts payable	\$ 62,144	\$ -	\$ 62,144
Early retirement payable	6,997	-	6,997
Due to other funds	41,205	6,901	48,106
Accrued interest payable	905	-	905
Deferred revenue-succeeding year property tax	1,529,797	-	1,529,797
Other	-	1,537	1,537
Bank warrants payable	300,000	-	300,000
Long-term liabilities:			
Portion due within one year:			
Notes payable	72,412	-	72,412
Early retirement	76,483	-	76,483
Portion due after one year:			
Notes payable	155,746	-	155,746
Early retirement	243,183	-	243,183
<b>Total Liabilities</b>	<b>\$ 2,488,872</b>	<b>\$ 8,438</b>	<b>\$ 2,497,310</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 4,485,654	\$ 37,829	\$ 4,523,483
Restricted for:			
Other special revenue purposes	63,875	-	63,875
Unrestricted	662,099	79,808	741,907
<b>Total Net Assets</b>	<b>\$ 5,211,628</b>	<b>\$ 117,637</b>	<b>\$ 5,329,265</b>

**Tripoli Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Instruction:				
Regular instruction	\$ 2,182,037	\$ 209,406	\$ 366,211	\$ -
Special instruction	460,717	67,419	31,735	-
Other instruction	423,997	128,366	6,104	-
	<u>\$ 3,066,751</u>	<u>\$ 405,191</u>	<u>\$ 404,050</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 37,432	\$ -	\$ 7,496	\$ -
Instructional staff services	119,616	-	-	-
Administration services	372,098	-	-	-
Operation and maintenance of plant services	312,605	150	-	-
Transportation services	175,630	-	-	-
	<u>\$ 1,017,381</u>	<u>\$ 150</u>	<u>\$ 7,496</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ -	\$ -
Long-term debt interest	13,253	-	-	-
AEA flow-through	142,761	-	-	-
	<u>\$ 156,014</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Activities</b>	<u>\$ 4,240,146</u>	<u>\$ 405,341</u>	<u>\$ 411,546</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
Non-Instructional Programs:				
Food service operations	\$ 178,051	\$ 119,327	\$ 79,586	\$ -
Child care operations	7,428	12,698	-	-
	<u>\$ 185,479</u>	<u>\$ 132,025</u>	<u>\$ 79,586</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 4,425,625</u>	<u>\$ 537,366</u>	<u>\$ 491,132</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,606,420	\$	-	\$ -1,606,420
	-361,563		-	-361,563
	-289,527		-	-289,527
\$	-2,257,510	\$	-	\$ -2,257,510
\$	-29,936	\$	-	\$ -29,936
	-119,616		-	-119,616
	-372,098		-	-372,098
	-312,455		-	-312,455
	-175,630		-	-175,630
\$	-1,009,735	\$	-	\$ -1,009,735
\$	-	\$	-	\$ -
	-13,253		-	-13,253
	-142,761		-	-142,761
\$	-156,014	\$	-	\$ -156,014
\$	-3,423,259	\$	-	\$ -3,423,259
\$	-	\$	20,862	\$ 20,862
	-		5,270	5,270
\$	-	\$	26,132	\$ 26,132
\$	-3,423,259	\$	26,132	\$ -3,397,127

**Tripoli Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest

**General Revenues:**

Property Tax Levied For:

General purposes

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets before sale of assets

Gain on sale of assets

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue  
And Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$ 1,410,781	\$ -	\$ 1,410,781
153,728	-	153,728
252,324	-	252,324
1,833,891	-	1,833,891
32,797	906	33,703
39,720	-	39,720
\$ 3,723,241	\$ 906	\$ 3,724,147
\$ 299,982	\$ 27,038	\$ 327,020
10	-	10
\$ 299,992	\$ 27,038	\$ 327,030
4,911,636	90,599	5,002,235
\$ 5,211,628	\$ 117,637	\$ 5,329,265

## Tripoli Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

<b>Assets</b>	General	Physical Plant and Equipment Levy	Non-major Special Revenue	Total
Cash and Pooled Investments:				
Restricted	\$ 300,000	\$ -	\$ -	\$ 300,000
Other	572,908	75,403	277,135	925,446
Receivables:				
Property Tax:				
Delinquent	14,261	2,018	2,405	18,684
Succeeding year	1,175,782	162,015	192,000	1,529,797
Accounts	-	-	21,076	21,076
Prepaid expenses	63,875	-	-	63,875
Due from other funds	48,106	-	-	48,106
Due from other governments	79,704	-	-	79,704
<b>Total Assets</b>	<b>\$ 2,254,636</b>	<b>\$ 239,436</b>	<b>\$ 492,616</b>	<b>\$ 2,986,688</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 32,719	\$ 4,572	\$ 24,853	\$ 62,144
Early retirement payable	-	-	6,997	6,997
Due to other funds	-	41,205	-	41,205
Bank warrants payable	300,000	-	-	300,000
Deferred Revenue:				
Succeeding year property tax	1,175,782	162,015	192,000	1,529,797
Total Liabilities	<b>\$ 1,508,501</b>	<b>\$ 207,792</b>	<b>\$ 223,850</b>	<b>\$ 1,940,143</b>
Fund Balances:				
Reserved	\$ 63,875	\$ -	\$ -	\$ 63,875
Unreserved	682,260	31,644	268,766	982,670
Total Fund Balances	<b>\$ 746,135</b>	<b>\$ 31,644</b>	<b>\$ 268,766</b>	<b>\$ 1,046,545</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,254,636</b>	<b>\$ 239,436</b>	<b>\$ 492,616</b>	<b>\$ 2,986,688</b>

## Tripoli Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2006

<b>Total fund balances of governmental funds (page 15)</b>	\$ 1,046,545
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	4,713,812
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-905
Long-term liabilities, including notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-547,824</u>
<b>Net assets of governmental activities (page 12)</b>	<u>\$ 5,211,628</u>

Tripoli Community School District

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

Year Ended June 30, 2006

	General	Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,237,919	\$ 153,728	\$ 185,737	\$ 1,577,384
Tuition	185,620	-	-	185,620
Other	141,445	2,100	389,041	532,586
Intermediate sources	245	-	-	245
State sources	2,120,113	114	138	2,120,365
Federal sources	119,288	4,640	-	123,928
<b>Total Revenues</b>	<b>\$ 3,804,630</b>	<b>\$ 160,582</b>	<b>\$ 574,916</b>	<b>\$ 4,540,128</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 1,913,071	\$ -	\$ 80,611	\$ 1,993,682
Special instruction	460,717	-	-	460,717
Other instruction	300,260	-	119,711	419,971
	<b>\$ 2,674,048</b>	<b>\$ -</b>	<b>\$ 200,322</b>	<b>\$ 2,874,370</b>
<b>Support Services:</b>				
Student services	\$ 37,432	\$ -	\$ -	\$ 37,432
Instructional staff services	119,616	-	-	119,616
Administration services	342,129	-	21,595	363,724
Operation and maintenance of plant services	289,842	-	26,430	316,272
Transportation services	122,213	-	58,311	180,524
	<b>\$ 911,232</b>	<b>\$ -</b>	<b>\$ 106,336</b>	<b>\$ 1,017,568</b>
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -	\$ 92,988	\$ 227,104	\$ 320,092
<b>Long-Term Debt:</b>				
Principal	-	-	68,886	68,886
Interest and fiscal charges	-	-	13,524	13,524
AEA flow-through	142,761	-	-	142,761
	<b>\$ 142,761</b>	<b>\$ 92,988</b>	<b>\$ 309,514</b>	<b>\$ 545,263</b>
<b>Total Expenditures</b>	<b>\$ 3,728,041</b>	<b>\$ 92,988</b>	<b>\$ 616,172</b>	<b>\$ 4,437,201</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 76,589</b>	<b>\$ 67,594</b>	<b>\$ -41,256</b>	<b>\$ 102,927</b>
<b>Other Financing Sources (Uses):</b>				
Sale of assets	\$ 10	\$ -	\$ -	\$ 10
Operating transfers in	-	-	83,001	83,001
Operating transfers out	-	-82,410	-591	-83,001
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10</b>	<b>\$ -82,410</b>	<b>\$ 82,410</b>	<b>\$ 10</b>
<b>Net change in fund balances</b>	<b>\$ 76,599</b>	<b>\$ -14,816</b>	<b>\$ 41,154</b>	<b>\$ 102,937</b>
Fund balances beginning of year	669,536	46,460	227,612	943,608
<b>Fund Balances End of Year</b>	<b>\$ 746,135</b>	<b>\$ 31,644</b>	<b>\$ 268,766</b>	<b>\$ 1,046,545</b>

See notes to financial statements.

**Tripoli 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, 2006**

**Net change in fund balances – total governmental funds (page 17)** \$ 102,937

***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, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 411,909	
Depreciation expense	-258,384	153,525

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		68,886
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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.

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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:

Early retirement	\$ 73,613	
New retirement	-99,240	-25,627

**Change in Net Assets of Governmental Activities (page 14)** \$ 299,992

## Tripoli Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	Before & After School	School Nutrition	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,562	\$ 71,333	\$ 80,895
Accounts receivable	-	485	485
Inventories	-	6,866	6,866
Capital assets, net of accumulated depreciation	-	37,829	37,829
<b>Total Assets</b>	<b>\$ 9,562</b>	<b>\$ 116,513</b>	<b>\$ 126,075</b>
<b>Liabilities</b>			
Due to other funds	\$ 535	\$ 6,366	\$ 6,901
Deferred revenue	-	1,537	1,537
<b>Total Liabilities</b>	<b>\$ 535</b>	<b>\$ 7,903</b>	<b>\$ 8,438</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -	\$ 37,829	\$ 37,829
Unrestricted	9,027	70,781	79,808
<b>Total Net Assets</b>	<b>\$ 9,027</b>	<b>\$ 108,610</b>	<b>\$ 117,637</b>

## Tripoli Community School District

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

June 30, 2006

	Before & After School	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 12,698	\$ 119,327	\$ 132,025
Operating expenses:			
Non-instructional programs:			
Food service and child care operations:			
Salaries and benefits	\$ 6,928	\$ 78,672	\$ 85,600
Purchased services	-	603	603
Supplies	500	95,717	96,217
Depreciation	-	3,059	3,059
Total operating expenses	\$ 7,428	\$ 178,051	\$ 185,479
Operating income (loss)	\$ 5,270	\$ -58,724	\$ -53,454
Non-operating revenues:			
State sources	\$ -	\$ 2,789	\$ 2,789
Federal sources	-	76,797	76,797
Interest income	62	844	906
Total non-operating revenues	\$ 62	\$ 80,430	\$ 80,492
Change in net assets	\$ 5,332	\$ 21,706	\$ 27,038
Net assets beginning of year	3,695	86,904	90,599
Net Assets End of Year	\$ 9,027	\$ 108,610	\$ 117,637

## Tripoli Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 123,860
Cash paid to employees for services	-76,573
Cash paid to suppliers for goods or services	-79,256
Net cash used by operating activities	<u>\$ -31,969</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,789
Federal grants received	62,979
Net cash provided by non-capital financing activities	<u>\$ 65,768</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -9,285</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 844</u>
Net increase in cash and cash equivalents	\$ 25,358
Cash and cash equivalents beginning of year	<u>45,975</u>
Cash and Cash Equivalents End of Year	<u>\$ 71,333</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -58,724
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,818
Depreciation	3,059
Decrease in inventories	3,703
Decrease in accounts receivable	5,701
(Decrease) in accounts payable	-407
Increase in due to other funds	2,050
(Decrease) in deferred revenue	-1,169
Net Cash Used by Operating Activities	<u>\$ -31,969</u>

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

During the year ended June 30, 2006, the District received \$13,818 of federal commodities.

## Tripoli Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	Before & After School
Cash flows from operating activities:	
Cash received from services	\$ 12,698
Cash paid to employees for services	-8,026
Cash paid to suppliers for goods or services	-500
Net cash provided by operating activities	<u>\$ 4,172</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 62</u>
Net increase in cash and cash equivalents	\$ 4,234
Cash and cash equivalents beginning of year	<u>5,328</u>
Cash and Cash Equivalents End of Year	<u>\$ 9,562</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 5,270
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in due to other funds	<u>-1,098</u>
Net Cash Provided by Operating Activities	<u>\$ 4,172</u>

## Tripoli Community School District

### Notes to Financial Statements

June 30, 2006

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

Tripoli Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Tripoli and Frederika, Iowa and portions of the predominately agricultural territories in Bremer and Chickasaw 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, Tripoli 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. Tripoli Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Physical Plant and Equipment Levy is utilized to account for all resources used in the acquisition and maintenance of the District's assets.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Before and After School Fund. These funds are used to account for the food service operations of the District and child care operations of the District.

#### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 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.

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

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 6,366
General Fund	Before & After School	535
General Fund	Physical Plant & Equipment Levy	41,205
		<u>\$ 48,106</u>

The Nutrition Fund and Before & After School both owe the General Fund for salaries. The balance will be repaid. The Physical Plant and Equipment Levy owes the General Fund for a loan payment made by the General Fund. The balance will be repaid in 2006-2007.

**(4) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 82,410</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Bank Anticipatory Warrants**

The District has entered into an agreement with American Savings Bank for the issuance of anticipatory warrants of \$300,000 with an interest rate of 4.5%. Activity for the year ended June 30, 2006 is as follows:

	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End of Year
Total	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$300,000</u>

Cash advanced under these warrants are held in a money management savings account. These funds are only used if the District's regular cash flow is inadequate to meet current needs.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Total capital assets not being depreciated	\$ 33,500	\$ -	\$ -	\$ 33,500
Capital assets being depreciated:				
Buildings	\$ 6,590,469	\$ 81,659	\$ 55,000	\$ 6,617,128
Improvements other than buildings	270,778	16,181	-	286,959
Furniture and equipment	738,924	314,069	110,000	942,993
Total capital assets being depreciated	\$ 7,600,171	\$ 411,909	\$ 165,000	\$ 7,847,080
Less accumulated depreciation for:				
Buildings	\$ 2,434,802	\$ 138,434	\$ 55,000	\$ 2,518,236
Improvements other than buildings	163,562	11,159	-	174,721
Furniture and equipment	475,020	108,791	110,000	473,811
Total accumulated depreciation	\$ 3,073,384	\$ 258,384	\$ 165,000	\$ 3,166,768
Total capital assets being depreciated, net	\$ 4,526,787	\$ 153,525	\$ -	\$ 4,680,312
Governmental Activities Capital Assets, Net	\$ 4,560,287	\$ 153,525	\$ -	\$ 4,713,812
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 54,764	\$ 9,285	\$ -	\$ 64,049
Less accumulated depreciation	23,161	3,059	-	26,220
Business Type Activities Capital Assets, Net	\$ 31,603	\$ 6,226	\$ -	\$ 37,829

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

Other

Support services:

Administration

Operation and maintenance of plant

Transportation

Total Depreciation Expense – Governmental Activities

Business Type Activities:

Food service operations

\$ 189,411
4,026
8,374
7,156
49,417
<u>\$ 258,384</u>
<u>\$ 3,059</u>

**(7) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Notes payable	\$ 297,044	\$ -	\$ 68,886	\$ 228,158	\$ 72,412
Early retirement	294,039	99,240	73,613	319,666	76,483
<b>Total</b>	<b>\$ 591,083</b>	<b>\$ 99,240</b>	<b>\$ 142,499</b>	<b>\$ 547,824</b>	<b>\$ 148,895</b>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement incentives for eligible employees is composed of:

- 1) The School District shall provide up to four hundred dollars (\$400.00) per month for payment of health insurance premiums of the retired teacher for ninety-six (96) months. However, the monthly payment shall not exceed, in any event, the actual cost of the monthly health insurance premiums of the retired teacher.
- 2) The School District shall provide a lump-sum payment of seven thousand dollars (\$7,000.00).

Early retirement benefits paid during the year ended June 30, 2006 totaled \$73,693. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liabilities section representing the District's commitment to fund non-current early retirement.

Note Payable – Media Center

On September 1, 1998, the District signed a note payable to American Savings Bank of Tripoli IA for the construction of a media center. The note was written for \$650,000. Interest only was paid on June 1, 1999. The interest rate on the note is 4.75%. Semi-annual payments will be \$41,204.90 and will be payable on December 1 and June 1 of each year, with the note maturing on June 1, 2009.

Details of the District's June 30, 2006 note payable – media center are as follows:

Payment Date	Principal	Interest
12-01-06	\$ 35,777	\$ 5,428
06-01-07	36,635	4,570
12-01-07	37,513	3,691
06-01-08	38,413	2,792
12-01-08	39,335	1,870
06-01-09	40,485	927
<b>Total</b>	<b>\$ 228,158</b>	<b>\$ 19,278</b>

During the year ended June 30, 2006, the District made principal and interest payments totaling \$82,410 under the agreements.

**(8) 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$114,934, \$111,557, and \$108,101, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Tripoli 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 \$142,761 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Required Supplementary Information**

**Tripoli Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,295,590	\$ 132,931
Intermediate sources	245	-
State sources	2,120,365	2,789
Federal sources	123,928	76,797
Total Receipts	<u>\$ 4,540,128</u>	<u>\$ 212,517</u>
Disbursements:		
Instruction	\$ 2,874,370	\$ -
Support services	1,017,568	-
Non-instructional programs	-	185,479
Other expenditures	545,263	-
Total Disbursements	<u>\$ 4,437,201</u>	<u>\$ 185,479</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 102,927	\$ 27,038
Other financing sources, net	<u>10</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 102,937	\$ 27,038
Balances beginning of year	943,608	90,599
Balances End of Year	<u>\$ 1,046,545</u>	<u>\$ 117,637</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	2,428,521	\$ 2,105,493	\$ 2,105,493	\$ 323,028
	245	-	-	245
	2,123,154	2,308,726	2,308,726	-185,572
	200,725	196,900	196,900	3,825
\$	4,752,645	\$ 4,611,119	\$ 4,611,119	\$ 141,526
<hr/>				
\$	2,874,370	\$ 2,969,656	\$ 3,168,240	\$ 293,870
	1,017,568	1,006,406	1,020,400	2,832
	185,479	226,820	239,610	54,131
	545,263	429,498	562,970	17,707
\$	4,622,680	\$ 4,632,380	\$ 4,991,220	\$ 368,540
<hr/>				
\$	129,965	\$ -21,261	\$ -380,101	\$ 510,066
	10	-	-	10
<hr/>				
\$	129,975	\$ -21,261	\$ -380,101	\$ 510,076
	1,034,207	831,933	831,933	202,274
<hr/>				
\$	1,164,182	\$ 810,672	\$ 451,832	\$ 712,350

**Tripoli Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2006**

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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$358,840.

**Other Supplementary Information**

## Tripoli Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2006

	Management Levy	Student Activity	Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 113,195	\$ 75,090	\$ 88,850	\$ 277,135
Receivables:				
Accounts	-	193	20,883	21,076
Property Tax:				
Delinquent	2,405	-	-	2,405
Succeeding year	192,000	-	-	192,000
<b>Total Assets</b>	<b>\$ 307,600</b>	<b>\$ 75,283</b>	<b>\$ 109,733</b>	<b>\$ 492,616</b>
<b>Liabilities &amp; Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	\$ 493	\$ 24,360	\$ 24,853
Early retirement payable	6,997	-	-	6,997
Deferred revenue:				
Succeeding year property tax	192,000	-	-	192,000
Total Liabilities	\$ 198,997	\$ 493	\$ 24,360	\$ 223,850
Fund Equity:				
Unreserved fund balances	108,603	74,790	85,373	268,766
<b>Total Liabilities and Fund Equity</b>	<b>\$ 307,600</b>	<b>\$ 75,283</b>	<b>\$ 109,733</b>	<b>\$ 492,616</b>

## Tripoli Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2006**

	Management Levy	Student Activity	Capital Projects	Debt Service	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 185,737	\$ -	\$ -	\$ -	\$ 185,737
Other	5,926	129,449	253,666	-	389,041
State	138	-	-	-	138
<b>Total Revenues</b>	<b>\$ 191,801</b>	<b>\$ 129,449</b>	<b>\$ 253,666</b>	<b>\$ -</b>	<b>\$ 574,916</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 80,611	\$ -	\$ -	\$ -	\$ 80,611
Other instruction	-	119,711	-	-	119,711
<b>Support Services:</b>					
Administration services	21,595	-	-	-	21,595
Operation and maintenance of plant services	26,430	-	-	-	26,430
Transportation services	4,000	-	54,311	-	58,311
<b>Other Expenditures:</b>					
Facilities acquisition	-	-	227,104	-	227,104
<b>Long-Term Debt:</b>					
Principal	-	-	-	68,886	68,886
Interest and fiscal charges	-	-	-	13,524	13,524
<b>Total Expenditures</b>	<b>\$ 132,636</b>	<b>\$ 119,711</b>	<b>\$ 281,415</b>	<b>\$ 82,410</b>	<b>\$ 616,172</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 59,165</b>	<b>\$ 9,738</b>	<b>\$ -27,749</b>	<b>\$ -82,410</b>	<b>\$ -41,256</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	\$ -	\$ 591	\$ -	\$ 82,410	\$ 83,001
Operating transfers out	-	-591	-	-	-591
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,410</b>	<b>\$ 82,410</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 59,165</b>	<b>\$ 9,738</b>	<b>\$ -27,749</b>	<b>\$ -</b>	<b>\$ 41,154</b>
<b>Fund balances beginning of year</b>	<b>49,438</b>	<b>65,052</b>	<b>113,122</b>	<b>-</b>	<b>227,612</b>
<b>Fund Balances End of Year</b>	<b>\$ 108,603</b>	<b>\$ 74,790</b>	<b>\$ 85,373</b>	<b>\$ -</b>	<b>\$ 268,766</b>

See accompanying independent auditor's report.

## Tripoli Community School District

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

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Interest	\$ -21	\$ 1,361	\$ 160	\$ -591	\$ 589
Vocal	1,719	4,185	2,847	-	3,057
Instrumental	112	1,779	265	-	1,626
Band Trip	5,028	2,798	1,784	-	6,042
Yearbook	-3,618	4,500	627	-	255
Picture	1,249	-278	-	-	971
Publishing	-192	-	-	192	-
Thalians	184	-	-	-	184
High School Student Council	443	5,969	5,401	-	1,011
Home Ec	638	108	56	-	690
National Honor Society	2,062	424	166	-	2,320
Faculty	758	1,445	1,325	-	878
SADD	27	16	34	-	9
Milk Machine	705	257	1,190	228	-
Magazine Sales	-	14,222	14,222	-	-
AEA Social Studies Grant	153	565	565	-	153
Art Resale	-302	419	233	116	-
Art Trip	36	907	998	55	-
Industrial Tech	82	282	-	-	364
Pencil Resale	1,414	690	773	-	1,331
Manufacturing	603	144	-22	-	769
Class of 1998	4,040	-	-	-	4,040
Class of 2003	345	-	-	-	345
Class of 2004	156	-	156	-	-
Class of 2005	1,295	-	1,295	-	-
Class of 2006	-721	1,250	529	-	-
Class of 2007	1,114	2,348	2,943	-	519
Class of 2008	2,743	1,147	100	-	3,790
Class of 2009	1,113	1,043	-	-	2,156
Class of 2010	-	1,605	-	-	1,605
Class of 2011	-	1,765	-	-	1,765
Ecology	126	11	36	-	101
SES	209	-	-	-	209
Granola	2	1,470	50	-	1,422
SCIN	1,976	1,000	-	-	2,976
SCIN Treat	933	-	-	-	933
Athletics	11,338	64,428	66,000	-	9,766
Target	-	176	-	-	176
Middle School Student Council	1,137	171	1,103	-	205
Elementary Library	3,069	559	881	-	2,747
Elementary Outdoor Ed	4,123	4,317	4,777	-	3,663
Elementary Concessions	3,250	1,873	1,111	-	4,012
Elementary Music	3	49	41	-	11
RIF	620	345	578	-	387
Elementary Carnival	17,061	6,099	9,487	-	13,673
Memorial	40	-	-	-	40
	\$ 65,052	\$ 129,449	\$ 119,711	\$ -	\$ 74,790

See accompanying independent auditor's report.

## Tripoli Community School District

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

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 1,577,384	\$ 1,602,580	\$ 1,637,469	\$ 1,631,760
Tuition	185,620	121,599	57,704	124,174
Other	532,586	466,523	268,964	223,548
Intermediate sources	245	11,608	-	-
State sources	2,120,365	2,044,677	1,938,984	1,840,807
Federal sources	123,928	121,523	139,871	118,923
<b>Total</b>	<b>\$ 4,540,128</b>	<b>\$ 4,368,510</b>	<b>\$ 4,042,992</b>	<b>\$ 3,939,212</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 1,993,682	\$ 1,902,372	\$ 1,791,175	\$ 1,677,687
Special instruction	460,717	565,249	487,491	463,049
Other instruction	419,971	300,596	317,935	361,359
<b>Support services:</b>				
Student services	37,432	42,476	68,474	88,694
Instructional staff services	119,616	127,605	125,457	124,449
Administrative services	363,724	338,143	360,456	380,100
Operation and maintenance of plant services	316,272	300,241	253,433	270,779
Transportation services	180,524	157,858	94,712	116,609
<b>Other expenditures:</b>				
Facilities acquisition	320,092	114,883	119,923	-
<b>Long-term debt:</b>				
Principal	68,886	65,300	74,756	70,138
Interest and other charges	13,524	17,110	19,383	24,060
AEA flow-through	142,761	139,660	141,547	144,045
<b>Total</b>	<b>\$ 4,437,201</b>	<b>\$ 4,071,493</b>	<b>\$ 3,854,742</b>	<b>\$ 3,720,969</b>

**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**

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  
Tripoli Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 4, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Tripoli Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-06, I-B-06 and I-C-06 are material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tripoli Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tripoli Community School District and other parties to whom Tripoli Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Tripoli Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

October 4, 2006

**Tripoli Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-06 Monthly Financial Reports – Monthly financial reports, including bank reconciliations, were not prepared on a timely basis or presented for approval to the Board at monthly meetings.

Recommendation – Financial reports and bank reconciliations should be prepared and presented monthly to the Board to enable the Board to use the information to manage District business.

Book balances should be reconciled to bank balances at the end of every month and the reconciliation should accompany the monthly financial report to the Board for their review and approval.

Response – Bank reconciliations are now done. Monthly financial reports are being developed for future distribution. Lateness of reports and bank reconciliations were due primarily to turnover in the business manager position.

Conclusion – Response accepted.

I-C-06 Payroll Calculations– The payroll system was not set up correctly when the District changed software early in the year. Several employee’s checks were incorrectly calculated, and under-withholding resulted.

Recommendation – Payroll set up should be reviewed carefully so payroll is calculated correctly.

Response – The payroll was corrected and all new employees being set up in our computer system are now reviewed carefully. The change in software and turnover in the business manager position resulted in the set up errors not being discovered promptly.

Conclusion – Response accepted.

**Tripoli Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

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

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the amended amounts budgeted.
- II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-06 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-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-06 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 the coverage is adequate for current operations.
- II-F-06 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted. Not all minutes with all disbursements were published as required by Chapter 279.35 of the Code of Iowa.
- Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting, and include all disbursements from all funds.
- Response – Procedures have been revised to ensure the minutes are published as required.
- Conclusion – Response accepted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 Deposits and Investments – 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 were noted.
- II-I-06 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.