

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

To the Board of Education of  
Twin Rivers Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District, Bode, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2008, on our consideration of Twin Rivers Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Rivers Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

April 22, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Twin Rivers 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, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 Financial Highlights**

- General Fund revenues decreased from \$2,338,825 in fiscal 2006 to \$2,213,760 in fiscal 2007, while General Fund expenditures decreased from \$2,521,205 in fiscal 2006 to \$2,389,937 in fiscal 2007. The District's General Fund balance decreased from \$(4,268) in fiscal 2006 to \$(91,738) in fiscal 2007.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2007. The decrease in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2007.
- The accumulative effect of declining enrollment, fire/safety citations over the past five years, and the past property de-valuation has placed a serious restriction on what could be generated for General Fund purposes.

### **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 Twin Rivers 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 Twin Rivers 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 Twin Rivers Community School District acts solely as an agent or custodian for the benefit of those outside of District 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 nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

**Figure A-1**  
**Twin Rivers Community School District Annual Financial Report**

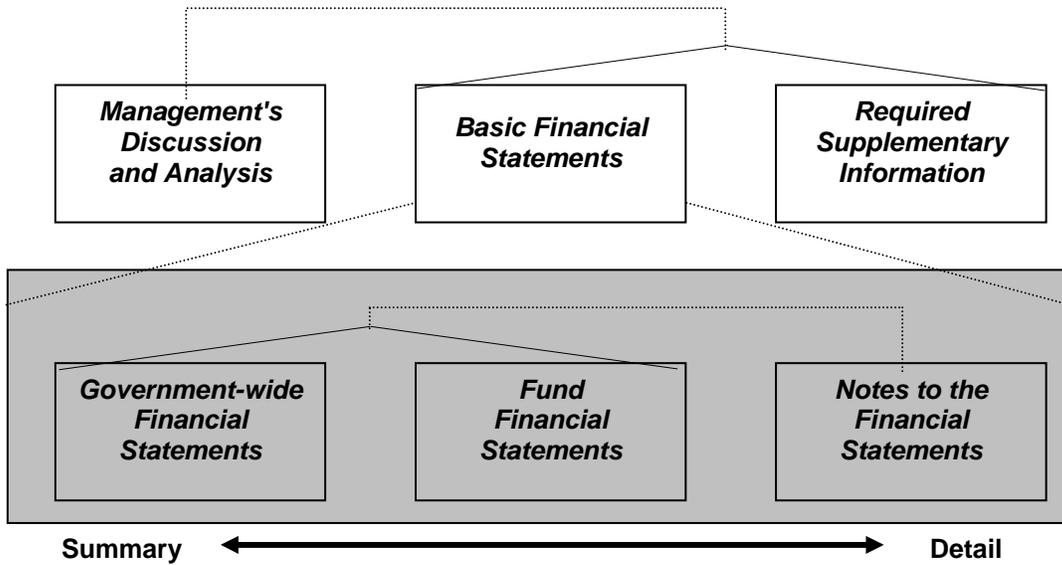


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 and adult education	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 assets</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 assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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, 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 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 and Special Revenue Funds, that consist of Activity, Management, and Physical Plant and Equipment Levy Funds.

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. These funds include Private-Purpose Trust and Agency 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 assets and a statement of changes in fiduciary net assets.

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,094,444	1,354,714	(17,068)	3,806	2,077,376	1,358,520	53%
Capital assets	531,915	531,000	16,672	16,158	548,587	547,158	0%
<b>Total assets</b>	<b>2,626,359</b>	<b>1,885,714</b>	<b>(396)</b>	<b>19,964</b>	<b>2,625,963</b>	<b>1,905,678</b>	<b>38%</b>
Long-term liabilities	198,186	196,559	-	-	198,186	196,559	1%
Other liabilities	1,890,178	1,082,989	1,277	949	1,891,455	1,083,938	75%
<b>Total liabilities</b>	<b>2,088,364</b>	<b>1,279,548</b>	<b>1,277</b>	<b>949</b>	<b>2,089,641</b>	<b>1,280,497</b>	<b>63%</b>
Net Assets:							
Invested in capital assets, net of related debt	361,895	347,493	16,672	16,158	378,567	363,651	4%
Restricted	219,248	176,446	-	-	219,248	176,446	24%
Unrestricted	(43,148)	82,227	(18,345)	2,857	(61,493)	85,084	-172%
<b>TOTAL NET ASSETS</b>	<b>537,995</b>	<b>606,166</b>	<b>(1,673)</b>	<b>19,015</b>	<b>536,322</b>	<b>625,181</b>	<b>-14%</b>

The District's combined net assets decreased by nearly 14%, or approximately \$88,859, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$42,802 or 24% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$146,577, or 172%.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	508,165	472,998	54,822	33,440	562,987	506,438	11%
Operating grants & contributions	257,000	345,859	38,431	30,416	295,431	376,275	-21%
Capital grants & contributions	25,000	-	-	-	25,000	-	0%
General Revenues:							
Property taxes	1,055,982	1,056,909	-	-	1,055,982	1,056,909	-0%
Income Surtax	52,725	88,463	-	-	52,725	88,463	-40%
Local option sales tax	123,260	110,790	-	-	123,260	110,790	11%
Unrestricted state grants	532,608	539,807	-	-	532,608	539,807	-1%
Unrestricted investment earnings	13,629	9,820	57	57	13,686	9,877	39%
Other revenue	4,459	481	-	-	4,459	481	827%
<b>Total Revenues</b>	<b>2,572,828</b>	<b>2,625,127</b>	<b>93,310</b>	<b>63,913</b>	<b>2,666,138</b>	<b>2,689,040</b>	<b>-1%</b>
Expenses:							
Instruction	1,653,566	1,670,205	-	-	1,653,566	1,670,205	-1%
Support services	823,810	851,721	-	-	823,810	851,721	-3%
Non-instructional programs	-	-	138,998	84,557	138,998	84,557	64%
Other expenditures	138,623	103,086	-	-	138,623	103,086	35%
<b>Total expenses</b>	<b>2,615,999</b>	<b>2,625,012</b>	<b>138,998</b>	<b>84,557</b>	<b>2,754,997</b>	<b>2,709,569</b>	<b>2%</b>
<b>Change in net assets before Transfers</b>	<b>(43,171)</b>	<b>115</b>	<b>(45,688)</b>	<b>(20,644)</b>	<b>(88,859)</b>	<b>(20,529)</b>	<b>-333%</b>
Transfers	(25,000)	(20,000)	25,000	20,000	-	-	0%
<b>CHANGE IN NET ASSETS</b>	<b>(68,171)</b>	<b>(19,885)</b>	<b>(20,688)</b>	<b>(644)</b>	<b>(88,859)</b>	<b>(20,529)</b>	<b>-333%</b>
Net assets beginning of year	606,166	626,051	19,015	19,659	625,181	645,710	-3%
Net assets end of year	537,995	606,166	(1,673)	19,015	536,322	625,181	-14%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$2,572,828 and expenses were \$2,615,999. In a difficult budget year, the District expenditures exceeded revenues by \$43,171.

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

Figure A-5

**Total and Net Cost of Governmental Activities**

	<b>Total Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2007</b>	<b>Net Cost of Services 2006</b>
	\$	\$	\$	\$
Instruction	1,653,566	1,670,205	1,000,892	957,603
Support Services	823,810	851,721	780,081	812,262
Non-instructional Programs	-	-	-	-
Other Expenses	138,623	103,086	44,861	36,290
<b>TOTAL</b>	<b>2,615,999</b>	<b>2,625,012</b>	<b>1,825,834</b>	<b>1,806,155</b>

- The cost financed by users of the District’s programs was \$508,165.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$282,000.
- The net cost of governmental activities was financed with \$1,231,967 in property and other taxes and \$532,608 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$93,310 and expenses were \$138,998. The District’s business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District’s business-type activities show a decrease in net assets with expenses exceeding revenues \$45,688. The district transferred \$25,000 from Governmental Activities to Business-Type Activities to supplement the nutrition program.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, Twin Rivers 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 \$155,676, below last year’s ending fund balances of \$185,230.

**Governmental Fund Highlights**

The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures.

- The General Fund balance decreased from \$(4,268) to \$(91,738), due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$92,704 in fiscal 2006 to \$155,400 in fiscal 2007.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$19,015 at June 30, 2006 to \$21,850 at June 30, 2007, representing an increase of approximately 15%. The Nutrition Fund has been supported by the General Fund with approximately \$85,000 over the past three years. The district has decreased staff, will attempt to make cooperative type food purchases, and increase lunch prices in the future.

The District's "Thunderville Preschool and Childcare" suffered a \$23,523 loss for 2006-07. The expenses of building rent, construction changes, salaries, benefits, meals, and supplies have exceeded the total revenues for the year. The participation has continually grown and it is the hope of the district that the offering of a preschool and childcare will keep patrons in the district by fulfilling these needs. An application for the 4-Year Old Preschool Grant will be submitted to help fund the preschool program.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$53,326 less than budgeted revenues. The most significant variance resulted from the District receiving less in state and federal 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 expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$548,587, 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) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$59,354.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2007-2006
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	5,000	10,000	-	-	5,000	10,000	-50%
Construction in progress	-	-	-	-	-	-	0%
Buildings	77,864	85,510	-	-	77,864	85,510	-9%
Improvements	276,645	295,246	-	-	276,645	295,246	-6%
Equipment & Furniture	172,406	140,244	16,672	16,158	189,078	156,402	21%
<b>TOTAL</b>	<b>531,915</b>	<b>531,000</b>	<b>16,672</b>	<b>16,158</b>	<b>548,587</b>	<b>547,158</b>	<b>0%</b>

Long-Term Debt

At June 30, 2007, the District had \$198,186 in revenue bonds and other long-term debt outstanding. This represents a increase of approximately 1% 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.

On February 15, 2005, the District's voters approved a School Infrastructure Local Option Sales Tax, (SILO). This one-cent tax will be used by the district for infrastructure needs. A board resolution authorized the issuance and payment of \$150,000 school infrastructure local option sales and services tax revenue bonds, during fiscal year 2005, for the purchase of new elementary buildings. These bonds mature and will be paid in May 2008. The future use of these SILO funds, amounting to approximately \$85,000 per year, will relieve the General Fund of many expenses such as bus leases and infrastructure needs.

The District capital loan notes and interest will be paid from the Special Revenue, Physical Plan and Equipment Levy Fund. During the fiscal year 2007 the District paid \$9,544 under the note agreements.

The District has leased buses under a capital lease. The present value of minimum lease payments is \$109,907 at the end of 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Percentage Change 2007-2006
	2007	2006	
	\$	\$	
Local Option Sales and Services			
Tax Revenue Bonds	50,000	100,000	-50%
Capital Loan Notes	10,113	19,657	-49%
Capital Leases	109,907	63,850	72%
Termination Benefits	28,166	13,052	116%
	<b>198,186</b>	<b>196,559</b>	<b>1%</b>

## **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:

- The voted School Infrastructure Local Option Sales and Service Tax will add approximately \$85,000 per year to the District for infrastructure projects. SILO Fund expenditures will be allowed after May of 2008.
- The district enrollment had been decreasing in past years, but has been stable for the past two years, and may possibly increase in 2007-08. The declining enrollment has been a major factor in the inability to balance the budget.
- The District will negotiate a new agreement during fiscal 2008. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The increasing costs of fuels for transportation and heating of the district's buildings will cause decreased spending elsewhere in the budget.
- The district is open to all opportunities to share staff, programs, athletics, and administration with surrounding districts in order to cut costs.

## **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 Cindy Halsrud, District Secretary/Treasurer, Twin Rivers Community School District, 200 College Avenue, Bode, Iowa 50519.

## BASIC FINANCIAL STATEMENTS

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	589,789	-	589,789
Other	120,975	4,422	125,397
Receivables:			
Property tax:			
Delinquent	24,504	-	24,504
Succeeding year	1,217,281	-	1,217,281
Accounts	-	260	260
Accrued interest:			
ISCAP	6,530	-	6,530
Due from other governments	111,582	-	111,582
Interfund receivable (payable)	23,783	(23,783)	-
Inventories	-	2,033	2,033
Capital assets, net of accumulated depreciation	531,915	16,672	548,587
	<u>2,626,359</u>	<u>(396)</u>	<u>2,625,963</u>
<b>Liabilities</b>			
Warrants in excess of bank balance	37,131	-	37,131
Accounts payable	32,208	-	32,208
Accrued interest payable	4,135	-	4,135
Deferred revenue:			
Succeeding year property tax	1,217,281	-	1,217,281
Other	-	1,277	1,277
ISCAP warrants payable	591,000	-	591,000
ISCAP accrued interest payable	5,237	-	5,237
ISCAP premium	3,186	-	3,186
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	50,000	-	50,000
Notes payable	10,113	-	10,113
Capital leases	16,740	-	16,740
Termination benefits	17,142	-	17,142
Portion due after one year:			
Capital leases	93,167	-	93,167
Termination benefits	11,024	-	11,024
	<u>2,088,364</u>	<u>1,277</u>	<u>2,089,641</u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	361,895	16,672	378,567
Restricted for:			
Management levy	29,163	-	29,163
Physical plant and equipment levy	17,992	-	17,992
Other special revenue purposes	16,693	-	16,693
Local option sales tax capital projects	155,400		155,400
Unrestricted	<u>(43,148)</u>	<u>(18,345)</u>	<u>(61,493)</u>
<b>Total net assets</b>	<u><u>537,995</u></u>	<u><u>(1,673)</u></u>	<u><u>536,322</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,017,071	274,823	100,160	-
Special	230,135	65,311	9,802	-
Other	406,360	168,031	34,547	-
	<u>1,653,566</u>	<u>508,165</u>	<u>144,509</u>	<u>-</u>
Support services:				
Student	57,376	-	-	-
Instructional staff	106,626	-	42,137	-
Administration	344,898	-	-	-
Operation and maintenance of plant	207,671	-	-	-
Transportation	107,239	-	1,592	-
	<u>823,810</u>	<u>-</u>	<u>43,729</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	41,559	-	-	25,000
Long-term debt interest	7,101	-	-	-
AEA flowthrough	68,762	-	68,762	-
Depreciation (unallocated)*	21,201	-	-	-
	<u>138,623</u>	<u>-</u>	<u>68,762</u>	<u>25,000</u>
Total governmental activities	2,615,999	508,165	257,000	25,000
Business type activities:				
Non-instructional programs:				
Food service operations	87,684	32,017	33,445	-
Daycare	51,314	22,805	4,986	-
Total business-type activities	<u>138,998</u>	<u>54,822</u>	<u>38,431</u>	<u>-</u>
Total	<u>2,754,997</u>	<u>562,987</u>	<u>295,431</u>	<u>25,000</u>

**General Revenues:**

Property taxes levied for:  
  General purposes  
  Capital outlay  
  Income surtax  
  Local option sales and services tax  
  Unrestricted state grants  
  Unrestricted investment earnings  
  Other

Total general revenues

## Transfers

Total general revenues and transfers

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(642,088)	-	(642,088)
(155,022)	-	(155,022)
(203,782)	-	(203,782)
<u>(1,000,892)</u>	<u>-</u>	<u>(1,000,892)</u>
(57,376)	-	(57,376)
(64,489)	-	(64,489)
(344,898)	-	(344,898)
(207,671)	-	(207,671)
(105,647)	-	(105,647)
<u>(780,081)</u>	<u>-</u>	<u>(780,081)</u>
(16,559)	-	(16,559)
(7,101)	-	(7,101)
-	-	-
(21,201)	-	(21,201)
<u>(44,861)</u>	<u>-</u>	<u>(44,861)</u>
(1,825,834)	-	(1,825,834)
-	(22,222)	(22,222)
-	<u>(23,523)</u>	<u>(23,523)</u>
-	<u>(45,745)</u>	<u>(45,745)</u>
<u>(1,825,834)</u>	<u>(45,745)</u>	<u>(1,871,579)</u>
1,030,356	-	1,030,356
25,626	-	25,626
52,725	-	52,725
123,260	-	123,260
532,608	-	532,608
13,629	57	13,686
4,459	-	4,459
<u>1,782,663</u>	<u>57</u>	<u>1,782,720</u>
(25,000)	25,000	-
<u>1,757,663</u>	<u>25,057</u>	<u>1,782,720</u>
(68,171)	(20,688)	(88,859)
606,166	19,015	625,181
<u>537,995</u>	<u>(1,673)</u>	<u>536,322</u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	589,789	-	589,789
Other	-	120,975	120,975
Receivables:			
Property tax:			
Delinquent	22,839	1,665	24,504
Succeeding year	1,142,020	75,261	1,217,281
Accrued interest - ISCAP	6,530	-	6,530
Interfund receivable	-	108,432	108,432
Due from other governments	94,260	17,322	111,582
	<u>1,855,438</u>	<u>323,655</u>	<u>2,179,093</u>
<b>Total assets</b>			
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Warrants issued in excess of bank balance	37,131	-	37,131
Accounts payable	31,228	980	32,208
Interfund payable	84,649	-	84,649
ISCAP premium payable	3,186	-	3,186
ISCAP warrants payable	591,000	-	591,000
ISCAP accrued interest payable	5,237	-	5,237
Deferred revenue:			
Succeeding year property tax	1,142,020	75,261	1,217,281
Other	52,725	-	52,725
Total liabilities	<u>1,947,176</u>	<u>76,241</u>	<u>2,023,417</u>
Fund balances:			
Unreserved reported in:			
General Fund	(91,738)	-	(91,738)
Special Revenue Funds	-	92,014	92,014
Capital Projects Fund	-	155,400	155,400
Total fund balances	<u>(91,738)</u>	<u>247,414</u>	<u>155,676</u>
	<u>1,855,438</u>	<u>323,655</u>	<u>2,179,093</u>
<b>Total liabilities and fund balances</b>			

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	155,676
<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.	531,915
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	52,725
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.	(4,135)
Long-term liabilities, including bonds payable, notes payable, capital leases and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(198,186)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>537,995</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,073,030	193,874	1,266,904
Tuition	264,904	-	264,904
Other	86,267	175,398	261,665
State sources	701,040	49	701,089
Federal sources	88,519	25,000	113,519
Total revenues	<u>2,213,760</u>	<u>394,321</u>	<u>2,608,081</u>
Expenditures:			
Current:			
Instruction:			
Regular	979,937	13,705	993,642
Special	230,135	-	230,135
Other	230,854	175,506	406,360
	<u>1,440,926</u>	<u>189,211</u>	<u>1,630,137</u>
Support services:			
Student	57,376	-	57,376
Instructional staff	106,626	-	106,626
Administration	344,898	-	344,898
Operation and maintenance of plant	160,962	46,709	207,671
Transportation	210,387	-	210,387
	<u>880,249</u>	<u>46,709</u>	<u>926,958</u>
Other expenditures:			
Facilities acquisition	-	41,559	41,559
Long-term debt:			
Principal	-	143,284	143,284
Interest and fiscal charges	-	4,133	4,133
AEA flowthrough	68,762	-	68,762
	<u>68,762</u>	<u>188,976</u>	<u>257,738</u>
Total expenditures	<u>2,389,937</u>	<u>424,896</u>	<u>2,814,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,177)</u>	<u>(30,575)</u>	<u>(206,752)</u>
Other financing sources (uses):			
Proceeds from long-term loans	132,197	-	132,197
Sales of equipment and real property	65,250	4,751	70,001
Operating transfers in	-	160,126	160,126
Operating transfers out	(108,740)	(76,386)	(185,126)
Total other financing sources (uses)	<u>88,707</u>	<u>88,491</u>	<u>177,198</u>
Net change in fund balances	(87,470)	57,916	(29,554)
Fund balances beginning of year	(4,268)	189,498	185,230
Fund balances end of year	<u>(91,738)</u>	<u>247,414</u>	<u>155,676</u>

See notes to financial statements.

## TWIN RIVERS 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, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(29,554)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Disposal of assets	(72,717)	
Expenditures for capital assets	132,197	
Depreciation expense	<u>(58,565)</u>	915
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(34,937)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		145,684
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(2,968)
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		(15,114)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(132,197)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(68,171)</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Funds
	<u>          </u> \$
<b>Assets</b>	
Cash and cash equivalents	4,422
Accounts receivable	260
Inventories	2,033
Capital assets, net of accumulated depreciation	<u>16,672</u>
<b>Total assets</b>	<u>23,387</u>
<b>Liabilities</b>	
Interfund payable	23,783
Deferred revenue	<u>1,277</u>
<b>Total liabilities</b>	<u>25,060</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	16,672
Unrestricted	<u>(18,345)</u>
<b>Total net assets</b>	<u><u>(1,673)</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>54,822</u>
Operating expenses:	
Non-instructional programs:	
Salaries	61,365
Benefits	13,624
Purchased services	2,045
Supplies	53,475
Depreciation	789
Other	<u>7,700</u>
	<u>138,998</u>
Operating gain (loss)	<u>(84,176)</u>
Non-operating revenues:	
State sources	872
Federal sources	34,788
Donations	2,771
Interest income	<u>57</u>
Total non-operating revenues	<u>38,488</u>
Gain (loss) before transfers	(45,688)
Transfers in	<u>25,000</u>
Change in net assets	(20,688)
Net assets beginning of year	<u>19,015</u>
Net assets end of year	<u><u>(1,673)</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	32,515
Cash received from daycare services	22,545
Cash payments to employees for services	(74,989)
Cash payments to suppliers for goods or services	(58,440)
Net cash used by operating activities	<u>(78,369)</u>
Cash flows from non-capital financing activities:	
Operating transfers	25,000
Donations	2,771
State grants received	872
Federal grants received	29,563
Net cash provided by non-capital financing activities	<u>58,206</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(1,303)
Interfund loans	23,783
Net cash used by capital and related financing activities	<u>22,480</u>
Cash flows from investing activities:	
Interest on investments	<u>57</u>
Net increase (decrease) in cash and cash equivalents	2,374
Cash and cash equivalents at beginning of year	<u>2,048</u>
Cash and cash equivalents at end of year	<u><u>4,422</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(84,176)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,225
Depreciation	789
Decrease (increase) in inventories	(445)
Decrease (increase) in accounts receivable	(90)
(Decrease) increase in deferred revenue	328
Net cash used in operating activities	<u><u>(78,369)</u></u>

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

During the year ended June 30, 2007, the District received \$5,225 of federal commodities.

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	13,175
Land	<u>50,000</u>
<b>Total assets</b>	63,175
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	13,175
Unreserved	<u>50,000</u>
<b>Total net assets</b>	<u><u>63,175</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Rent	11,851
Interest	116
Total additions	<u>11,967</u>
Deductions:	
Support services:	
Scholarships awarded	9,750
Property taxes	1,746
Miscellaneous	45
Total deductions	<u>11,541</u>
Change in net assets	426
Net assets beginning of year	<u>62,749</u>
Net assets end of year	<u><u>63,175</u></u>

# TWIN RIVERS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Bode, Livermore, and Gilmore City, Iowa and the predominately agricultural territory in a portion of Humboldt and Kossuth 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, Twin Rivers 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 Twin Rivers Community School District has one component unit that meets the Governmental Accounting Standards Board criteria. The Twin Rivers Education Foundation has been included as a blended component unit and is included in the District's financial statements as a private purpose trust fund.

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

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 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 instruction, support and other costs.

The District's proprietary funds are the Enterprise, School Nutrition and Child Care Funds. These funds are used to account for the food service operations of the District and the district child care services.

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

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

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-

wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-10 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be

used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted. The District also exceeded its General Fund spending authority.

**2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

**3. Interfund Receivables and Payable**

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Capital Projects Fund	General Fund	52,164
Management Fund	General Fund	56,268
General Fund	Enterprise Child Care Fund	23,783

The interfund receivable/payable represents monies loaned for cash flow.

**4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Capital Projects	Nonmajor Governmental PPEL Fund	12,709
Nonmajor Governmental, Debt Service Fund	Nonmajor Governmental PPEL Fund	10,561
Nonmajor Governmental, Debt Service Fund	Nonmajor Governmental Capital Projects	53,115
Nonmajor Enterprise, School Nutrition Fund	General Fund	25,000
Nonmajor Governmental, Debt Service Fund	General Fund	83,740

The transfers to the Debt Service Fund moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfers from the General Fund to the School Nutrition Fund subsidized deficits in that fund.

**5. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2006-07B	01/26/07	01/25/08	285,271	6,439	286,000	5,162
2007-08A	06/27/07	06/27/08	304,518	91	305,000	75
			<u>589,789</u>	<u>6,530</u>	<u>591,000</u>	<u>5,237</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2006-07B	4.250	5.315
2007-08A	4.500	5.455

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Land	10,000	-	5,000	5,000
Capital assets being depreciated:				
Buildings	644,166	-	16,905	627,261
Improvements other than buildings	435,299	-	-	435,299
Furniture and equipment	529,686	132,197	109,752	552,131
Total capital assets being deprec.	<u>1,609,151</u>	<u>132,197</u>	<u>126,657</u>	<u>1,614,691</u>
Less accumulated depreciation for:				
Buildings	558,656	2,646	11,905	549,397
Improvements other than buildings	140,053	18,601	-	158,654
Furniture and equipment	389,442	37,318	47,035	379,725
Total accumulated depreciation	<u>1,088,151</u>	<u>58,565</u>	<u>58,940</u>	<u>1,087,776</u>
Total capital assets being depreciated, net	<u>521,000</u>	<u>73,632</u>	<u>67,717</u>	<u>26,915</u>
Governmental activities capital assets, net	<u>531,000</u>	<u>73,632</u>	<u>72,717</u>	<u>531,915</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	104,536	1,303	-	105,839
Less accumulated depreciation	<u>88,378</u>	<u>789</u>	<u>-</u>	<u>89,167</u>
Business type activities capital assets, net	<u>16,158</u>	<u>514</u>	<u>-</u>	<u>16,672</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,315
Support services:	
Transportation	29,049
	<u>37,364</u>
Unallocated depreciation	<u>21,201</u>
Total depreciation expense – governmental activities	<u>58,565</u>
Business type activities:	
Food services	<u>789</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Local Option Sales and Services					
Tax Revenue Bonds	100,000	-	50,000	50,000	50,000
Capital loan notes	19,657	-	9,544	10,113	10,113
Capital leases	63,850	132,197	86,140	109,907	16,740
Termination benefits	13,052	28,166	13,052	28,166	17,142
Total	<u>196,559</u>	<u>160,363</u>	<u>158,736</u>	<u>198,186</u>	<u>93,995</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than two employees per year will be granted benefits under the policy.

Early retirement benefits are equal to the difference between the BA base and their current annual full-time equivalent salary, less extended contract and supplemental pay amounts.

At June 30, 2007, the District has obligations to two participants with a total liability of \$28,166. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$13,052.

### Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Revenue Bond Issue May 2005

Year Ending June 30	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	3.15	50,000	1,575	51,575

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- The bonds are not subject to redemption prior to maturity.

Capital Loan Notes

The District capital loan notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	5.88	10,113	449	10,562

During the year ended June 30, 2007 the District made principal and interest payments totaling \$10,562 under the note agreements.

Capital Leases

The District has leased buses under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

	Year Ending June 30,	Amount
		\$
	2008	22,291
	2009	22,291
	2010	79,400
Minimum Lease Payments		123,982
Less Amount Representing Interest		14,075
Present Value of Minimum Lease Payments		109,907

**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, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$63,307, \$62,796, and \$68,119 respectively, equal to the required contributions for each year.

## **9. Risk Management**

Twin Rivers 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 \$68,762 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **11. Deficit Fund Balances**

At June 30, 2007 the District had a General Fund deficit unreserved fund balance of \$91,738 and the Enterprise Daycare Fund had a deficit net assets balance of \$23,523.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	1,793,473	57,650	1,851,123	1,839,432	1,839,432	11,691
State sources	701,089	872	701,961	731,285	731,285	(29,324)
Federal sources	113,519	34,788	148,307	184,000	184,000	(35,693)
Total revenues	<u>2,608,081</u>	<u>93,310</u>	<u>2,701,391</u>	<u>2,754,717</u>	<u>2,754,717</u>	<u>(53,326)</u>
<b>Expenditures:</b>						
Instruction	1,630,137	-	1,630,137	1,783,710	1,783,710	153,573
Support services	926,958	-	926,958	832,000	832,000	(94,958)
Non-instructional programs	-	138,998	138,998	198,059	198,059	59,061
Other expenditures	257,738	-	257,738	330,575	330,575	72,837
Total expenditures	<u>2,814,833</u>	<u>138,998</u>	<u>2,953,831</u>	<u>3,144,344</u>	<u>3,144,344</u>	<u>190,513</u>
Excess (deficiency) of revenues over (under) expenditures	(206,752)	(45,688)	(252,440)	(389,627)	(389,627)	137,187
Other financing sources (uses) net	<u>177,198</u>	<u>25,000</u>	<u>202,198</u>	<u>645</u>	<u>645</u>	<u>201,553</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(29,554)	(20,688)	(50,242)	(388,982)	(388,982)	338,740
Balance beginning of year	<u>185,230</u>	<u>19,015</u>	<u>204,245</u>	<u>559,871</u>	<u>559,871</u>	<u>(355,626)</u>
Balance end of year	<u><u>155,676</u></u>	<u><u>(1,673)</u></u>	<u><u>154,003</u></u>	<u><u>170,889</u></u>	<u><u>170,889</u></u>	<u><u>(16,886)</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted. The District also exceeded its General Fund spending authority.

OTHER SUPPLEMENTARY INFORMATION

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
	\$	\$	\$	\$	\$
Cash and pooled investments	-	17,673	17,388	85,914	120,975
Receivables:					
Property tax:					
Delinquent	1,061	-	604	-	1,665
Succeeding year	50,000	-	25,261	-	75,261
Interfund receivable	56,268	-	-	52,164	108,432
Due from other governments	-	-	-	17,322	17,322
<b>Total assets</b>	<b>107,329</b>	<b>17,673</b>	<b>43,253</b>	<b>155,400</b>	<b>323,655</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	980	-	-	980
Deferred revenue:					
Succeeding year property tax	50,000	-	25,261	-	75,261
Total liabilities	50,000	980	25,261	-	76,241
Fund balances:					
Unreserved fund balance reported in:					
Special Revenue Funds	57,329	16,693	17,992	-	92,014
Capital Projects Fund	-	-	-	155,400	155,400
Total fund balances	57,329	16,693	17,992	155,400	247,414
<b>Total liabilities and fund balances</b>	<b>107,329</b>	<b>17,673</b>	<b>43,253</b>	<b>155,400</b>	<b>323,655</b>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	44,988	-	25,626	123,260	-	193,874
Other	4,834	168,292	95	2,177	-	175,398
State sources	31	-	18	-	-	49
Federal sources	-	-	25,000	-	-	25,000
Total revenues	<u>49,853</u>	<u>168,292</u>	<u>50,739</u>	<u>125,437</u>	<u>-</u>	<u>394,321</u>
Expenditures:						
Current:						
Instruction:						
Regular	13,705	-	-	-	-	13,705
Other	-	175,506	-	-	-	175,506
Support services:						
Operation and maintenance of plant	46,709	-	-	-	-	46,709
Other expenditures:						
Facilities acquisition	-	-	19,224	22,335	-	41,559
Long-term debt:						
Principal	-	-	-	-	143,284	143,284
Interest and fiscal charges	-	-	-	-	4,133	4,133
Total expenditures	<u>60,414</u>	<u>175,506</u>	<u>19,224</u>	<u>22,335</u>	<u>147,417</u>	<u>424,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,561)</u>	<u>(7,214)</u>	<u>31,515</u>	<u>103,102</u>	<u>(147,417)</u>	<u>(30,575)</u>
Other financing sources (uses):						
Sales of real property	-	-	4,751	-	-	4,751
Operating transfers in	-	-	-	12,709	147,417	160,126
Operating transfers out	-	-	(23,271)	(53,115)	-	(76,386)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,520)</u>	<u>(40,406)</u>	<u>147,417</u>	<u>88,491</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(10,561)</u>	<u>(7,214)</u>	<u>12,995</u>	<u>62,696</u>	<u>-</u>	<u>57,916</u>
Fund balances beginning of year	<u>67,890</u>	<u>23,907</u>	<u>4,997</u>	<u>92,704</u>	<u>-</u>	<u>189,498</u>
Fund balances end of year	<u><u>57,329</u></u>	<u><u>16,693</u></u>	<u><u>17,992</u></u>	<u><u>155,400</u></u>	<u><u>-</u></u>	<u><u>247,414</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2007

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	4,422	-	4,422
Accounts receivable	-	260	260
Inventories	2,033	-	2,033
Capital assets, net of accumulated depreciation	16,672	-	16,672
<b>Total assets</b>	<u>23,127</u>	<u>260</u>	<u>23,387</u>
<b>Liabilities</b>			
Interfund payable	-	23,783	23,783
Deferred revenue	1,277	-	1,277
<b>Total liabilities</b>	<u>1,277</u>	<u>23,783</u>	<u>25,060</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	16,672	-	16,672
Unrestricted	5,178	(23,523)	(18,345)
<b>Total net assets</b>	<u>21,850</u>	<u>(23,523)</u>	<u>(1,673)</u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	<u>Nonmajor Enterprise Funds</u>		
	<u>School</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Daycare</u>	
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	<u>32,017</u>	<u>22,805</u>	<u>54,822</u>
Operating expenses:			
Non-instructional programs:			
Salaries	29,197	32,168	61,365
Benefits	10,105	3,519	13,624
Purchased services	928	1,117	2,045
Supplies	46,665	6,810	53,475
Depreciation	789	-	789
Other	-	7,700	7,700
	<u>87,684</u>	<u>51,314</u>	<u>138,998</u>
Operating gain (loss)	<u>(55,667)</u>	<u>(28,509)</u>	<u>(84,176)</u>
Non-operating revenues:			
State sources	872	-	872
Federal sources	32,573	2,215	34,788
Donations	-	2,771	2,771
Interest income	57	-	57
Total non-operating revenues	<u>33,502</u>	<u>4,986</u>	<u>38,488</u>
Gain (loss) before transfers	(22,165)	(23,523)	(45,688)
Transfers in	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Change in net assets	2,835	(23,523)	(20,688)
Net assets beginning of year	<u>19,015</u>	<u>-</u>	<u>19,015</u>
Net assets end of year	<u><u>21,850</u></u>	<u><u>(23,523)</u></u>	<u><u>(1,673)</u></u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Nonmajor Enterprise Funds		
	School	Daycare	Total
	Nutrition		
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	32,515	-	32,515
Cash received from daycare services	-	22,545	22,545
Cash payments to employees for services	(39,302)	(35,687)	(74,989)
Cash payments to suppliers for goods or services	(42,813)	(15,627)	(58,440)
Net cash used by operating activities	<u>(49,600)</u>	<u>(28,769)</u>	<u>(78,369)</u>
Cash flows from non-capital financing activities:			
Operating transfers	25,000	-	25,000
Donations	-	2,771	2,771
State grants received	872	-	872
Federal grants received	27,348	2,215	29,563
Net cash provided by non-capital financing activities	<u>53,220</u>	<u>4,986</u>	<u>58,206</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,303)	-	(1,303)
Interfund loans	-	23,783	23,783
Net cash used by capital and related financing activities	<u>(1,303)</u>	<u>23,783</u>	<u>22,480</u>
Cash flows from investing activities:			
Interest on investments	<u>57</u>	<u>-</u>	<u>57</u>
Net increase (decrease) in cash and cash equivalents	2,374	-	2,374
Cash and cash equivalents at beginning of year	<u>2,048</u>	<u>-</u>	<u>2,048</u>
Cash and cash equivalents at end of year	<u><u>4,422</u></u>	<u><u>-</u></u>	<u><u>4,422</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(55,667)	(28,509)	(84,176)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	5,225	-	5,225
Depreciation	789	-	789
Decrease (increase) in inventories	(445)	-	(445)
Decrease (increase) in accounts receivable	170	(260)	(90)
(Decrease) increase in deferred revenue	328	-	328
Net cash used in operating activities	<u>(49,600)</u>	<u>(28,769)</u>	<u>(78,369)</u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Athletics	(5,775)	80,458	93,929	6,935	(12,311)
Elementary spirit	194	980	951	(19)	204
High school spirit	5,073	18,013	16,481	(1,065)	5,540
Student council	402	4,928	4,637	(6)	687
Drill team	4,996	21,031	16,900	(3,665)	5,462
Spanish club	1,218	124	-	(114)	1,228
Pep club	383	3,924	4,383	49	(27)
National Honor Society	147	29	76	(6)	94
Technology club	143	-	-	-	143
Renaissance	457	29	263	114	337
Speech/Drama	995	8,126	6,200	(939)	1,982
Student pictures	21	59	59	-	21
Class of 2002	51	-	-	-	51
Class of 2003	624	-	-	-	624
Class of 2005	152	-	-	-	152
Class of 2006	378	2,163	2,476	315	380
Class of 2007	1,172	5,608	6,216	8	572
Class of 2008	1,527	6,977	6,435	(943)	1,126
Class of 2009	427	3,274	1,883	(520)	1,298
Class of 2010	-	513	23	(3)	487
French club	151	691	681	-	161
Yearbook	11,285	11,365	13,047	(141)	9,462
Beginning accrual entries	(114)	-	(114)	-	-
Ending accrual entries	-	-	980	-	(980)
Totals	<u>23,907</u>	<u>168,292</u>	<u>175,506</u>	<u>-</u>	<u>16,693</u>

## TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,266,904	1,262,332	1,194,481	1,270,862
Tuition	264,904	271,106	274,671	267,762
Other	261,665	211,712	213,457	213,198
State sources	701,089	697,987	673,656	708,599
Federal sources	113,519	187,679	174,996	109,385
	<u>2,608,081</u>	<u>2,630,816</u>	<u>2,531,261</u>	<u>2,569,806</u>
Total revenues				
Expenditures:				
Instruction:				
Regular instruction	993,642	1,142,748	1,040,414	1,019,729
Special instruction	230,135	251,049	310,666	133,502
Other instruction	406,360	304,217	309,882	270,026
Support services:				
Student services	57,376	24,309	85,231	81,635
Instructional staff services	106,626	129,070	28,366	26,757
Administration services	344,898	369,144	375,184	364,059
Operation and maintenance of plant services	207,671	245,557	256,474	231,943
Transportation services	210,387	136,270	78,313	317,797
Non-instructional programs	-	-	260	-
Other expenditures:				
Facilities acquisition	41,559	228,534	44,625	10,415
Long-term debt:				
Principal	143,284	73,417	22,335	82,097
Interest and other charges	4,133	9,817	5,883	2,540
AEA flowthrough	68,762	66,796	66,506	69,597
	<u>2,814,833</u>	<u>2,980,928</u>	<u>2,624,139</u>	<u>2,610,097</u>
Total expenditures				

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

To the Board of Education of  
Twin Rivers Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Twin Rivers Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Twin Rivers Community School District's financial statements that is more than inconsequential will not be prevented or detected by Twin Rivers Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Twin Rivers Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

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

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

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

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

April 22, 2008

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07- II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the support services functional area. The District also exceeded its General Fund spending authority.

Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and School Budget Review Committee to resolve the unspent authorized budget issue.

District Response: We will amend future budgets before expenditures exceed the budget and we will contact the Iowa Department of Education and School Budget Review Committee.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-J Financial Condition: The District has an unreserved, undesignated deficit fund balance in the General Fund of \$91,738, the Enterprise Child Care Fund has a \$23,523 deficit and the Student Activity Fund has two accounts with a deficit balances at June 30, 2007.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.