

TRI-CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2008

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Tri-Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Mike Pettit	President	2007
Randy Morriss	Vice-President	2007
Duane Barrier	Board Member	2009
Mike Eikenberry	Board Member	2009
Kim Sullivan	Board Member	2008
Board of Education (After September 2007 Election)		
Randy Morriss	President	2011
Duane Barrier	Vice-President	2009
Mike Pettit	Board Member	2011
Mike Eikenberry	Board Member	2009
Kim Sullivan	Board Member	2008
School Officials		
Brett Nanninga	Superintendent	2008
Rhonda McKenzie	District Secretary	2008
Scott Rogers, Peters Law Firm	Attorney	2008
Gruhn Law Firm	Attorney	2008

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117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Tri-Center Community School District:

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 the Tri-Center Community School District, Neola, Iowa as of and for the year ended June 30, 2008, 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 Tri-Center Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2009 on our consideration of Tri-Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 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 required 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 Tri-Center 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 four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2009

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

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Tri-Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,054,034 in fiscal 2007 to \$6,813,000 in fiscal 2008, while General Fund expenditures increased from \$6,538,124 in fiscal 2007 to \$6,667,398 in fiscal 2008. This resulted in an increase in the District's General Fund balance from a deficit balance of \$96,100 in fiscal 2007 to a deficit balance of \$24,533 in fiscal 2008, a 74.47% increase over the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2008. The increase in expenditures was due primarily to increases in salaries and benefits as well as increases in expenses funded by grants received by the District for fiscal 2008.

### **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 Tri-Center Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the non-major funds.

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

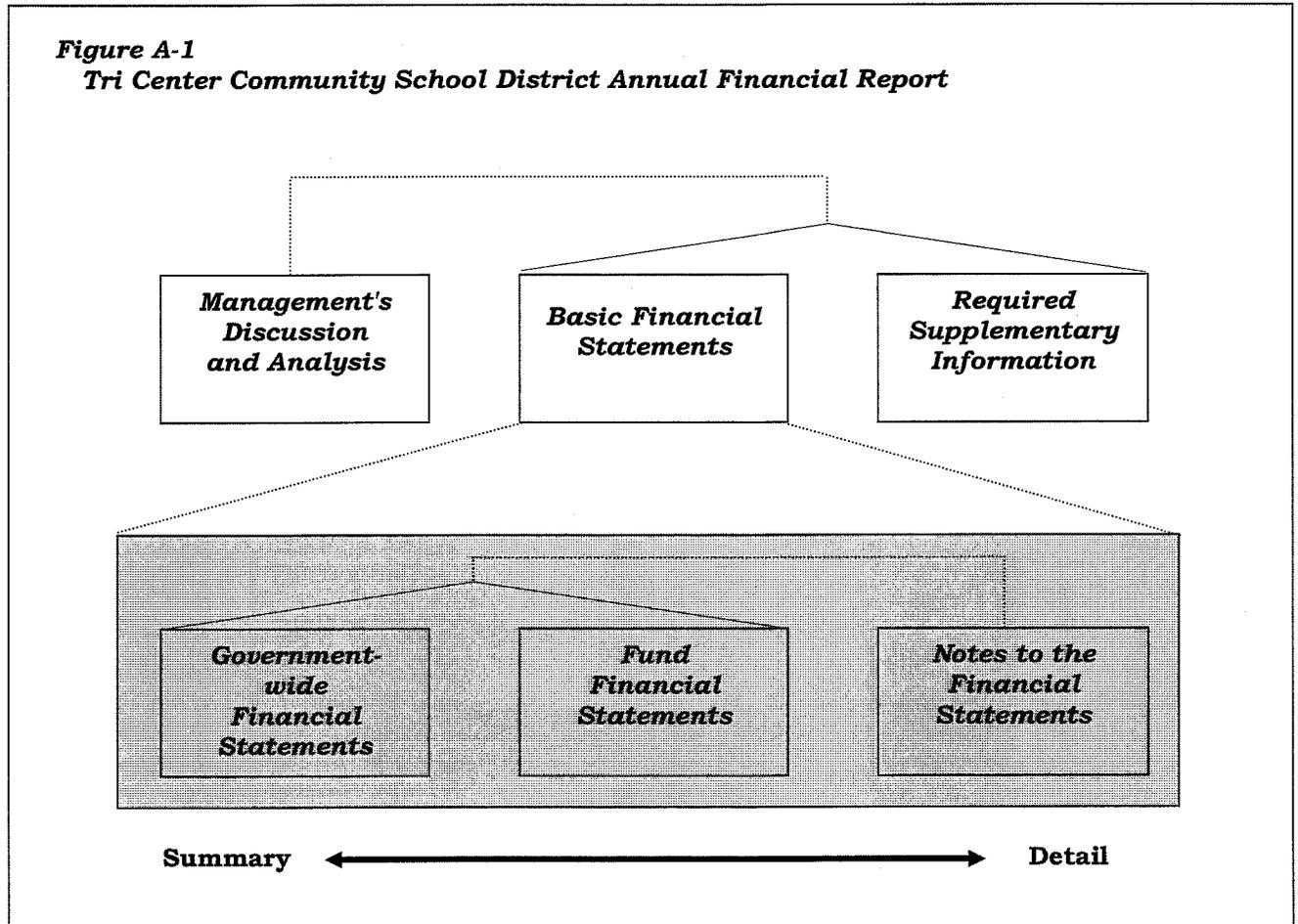


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 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, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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

The District is responsible for ensuring that 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, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,799,592	4,147,761	38,690	59,594	4,838,282	4,207,355	15.00%
Capital assets	5,197,032	5,069,204	47,064	50,613	5,244,096	5,119,817	2.43%
Total assets	9,996,624	9,216,965	85,754	110,207	10,082,378	9,327,172	8.10%
Long-term obligations	1,845,000	1,915,599	0	0	1,845,000	1,915,599	3.69%
Other liabilities	4,224,815	4,039,458	27,642	23,964	4,252,457	4,063,422	4.65%
Total liabilities	6,069,815	5,955,057	27,642	23,964	6,097,457	5,979,021	1.98%
Net assets:							
Invested in capital assets, net of related debt	3,577,032	3,153,605	47,064	50,613	3,624,096	3,204,218	13.10%
Restricted	289,337	307,052	0	0	289,337	307,052	-5.77%
Unrestricted	60,440	(198,749)	11,048	35,630	71,488	(163,119)	143.83%
Total net assets	\$ 3,926,809	3,261,908	58,112	86,243	3,984,921	3,348,151	19.02%

The District's combined net assets increased by 19.02%, or \$636,770, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$17,715, or 5.77% from the prior year. The decrease in

restricted fund balance is mainly attributable to the decrease in fund balance in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$234,607, or 143.83%. This increase in unrestricted net assets was a result of the District’s decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 973,422	689,873	233,474	238,245	1,206,896	928,118	30.04%
Operating grants and contributions and restricted interest	767,283	817,435	115,483	118,348	882,766	935,783	-5.67%
<b>General revenues:</b>							
Property tax	2,424,977	1,895,487	0	0	2,424,977	1,895,487	27.93%
Local option sales and services tax	535,787	528,291	0	0	535,787	528,291	1.42%
Unrestricted state grants	3,361,272	3,052,932	0	0	3,361,272	3,052,932	10.10%
Other	73,897	217,013	226	312	74,123	217,325	-65.89%
Transfers	(1,423)	(516)	1,423	0	0	(516)	100.00%
<b>Total revenues</b>	<b>8,135,215</b>	<b>7,200,515</b>	<b>350,606</b>	<b>356,905</b>	<b>8,485,821</b>	<b>7,557,936</b>	<b>12.28%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	4,402,646	4,267,820	0	0	4,402,646	4,267,820	3.16%
Support services	2,501,437	2,525,470	0	0	2,501,437	2,525,470	-0.95%
Non-instructional programs	6,564	13,536	378,737	359,682	385,301	373,218	3.24%
Other expenses	559,667	561,518	0	0	559,667	561,518	-0.33%
<b>Total expenses</b>	<b>7,470,314</b>	<b>7,368,344</b>	<b>378,737</b>	<b>359,682</b>	<b>7,849,051</b>	<b>7,728,026</b>	<b>1.57%</b>
<b>Change in net assets</b>	<b>664,901</b>	<b>(167,829)</b>	<b>(28,131)</b>	<b>(2,777)</b>	<b>636,770</b>	<b>(170,606)</b>	<b>473.24%</b>
<b>Beginning net assets</b>	<b>3,261,908</b>	<b>3,429,737</b>	<b>86,243</b>	<b>89,020</b>	<b>3,348,151</b>	<b>3,518,757</b>	<b>-4.85%</b>
<b>Ending net assets</b>	<b>\$ 3,926,809</b>	<b>3,261,908</b>	<b>58,112</b>	<b>86,243</b>	<b>3,984,921</b>	<b>3,348,151</b>	<b>19.02%</b>

Property tax and unrestricted state grants account for 71.13% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.52% of the revenue from business type activities.

The District’s total revenues were approximately \$8.485 million of which \$8.135 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.28% increase in revenues and a 1.57% increase in expenses. Unrestricted state grants increased \$308,340 and property tax increased \$529,540 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

## Governmental Activities

Revenues for governmental activities were \$8,135,215 and expenses were \$7,470,314.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
	Instruction	\$ 4,402,646	4,267,820	3.16%	2,922,106	3,005,040
Support services	2,501,437	2,525,470	-0.95%	2,498,202	2,519,202	-0.83%
Non-instructional programs	6,564	13,536	-51.51%	6,564	13,536	-51.51%
Other expenses	559,667	561,518	-0.33%	302,737	323,258	-6.35%
Totals	\$ 7,470,314	7,368,344	1.38%	5,729,609	5,861,036	-2.24%

- The cost financed by users of the District's programs was \$973,422.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$767,283.
- The net cost of governmental activities was financed with \$2,424,977 in property tax, \$535,787 in local option sales and services tax, \$3,361,272 in unrestricted state grants and \$49,256 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$350,606 and expenses were \$378,737. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$174,796, over last year's ending fund balances of \$115,023. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to an increase in the General Fund balance of \$71,567.

## Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in local, state and federal sources increased as compared to fiscal 2008. However, the increase in revenues was more than offset by the District's decrease in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Capital Projects Fund balance decreased from \$164,068 in fiscal 2007 to \$129,521 in fiscal 2008. This decrease was caused by the District increasing fund expenditures during 2008 as compared to 2007.

- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$54,005 in fiscal 2007 to a deficit \$5,455 in fiscal 2008. This increase was due to the District not spending anything in during fiscal 2008.

### Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$86,243 at June 30, 2007 to \$58,112 at June 30, 2008 representing a decrease of 32.62%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$154,558 less than budgeted revenues, a variance of 1.83%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$5,244,096, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.43% over last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$343,002.

The original cost of the District's capital assets was \$8,963,713. Governmental funds account for \$8,869,418 with the remainder of \$94,295 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the building improvements category. The District's buildings which totaled \$3,464,298 at June 30, 2008, compared to \$3,193,612 reported at June 30, 2007. This increase is the result of capital expenditures.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	2007-08
Land	\$ 12,669	12,669	0	0	12,669	12,669	0.00%
Buildings	3,464,298	3,193,612	0	0	3,464,298	3,193,612	7.81%
Land improvements	1,007,272	1,079,363	0	0	1,007,272	1,079,363	-7.16%
Machinery and equipment	712,793	783,560	47,064	50,613	759,857	834,173	-9.78%
Total	\$ 5,197,032	5,069,204	47,064	50,613	5,244,096	5,119,817	2.43%

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## Long-Term Debt

At June 30, 2008, the District had \$1,620,000 in general obligation and other long-term debt outstanding. This represents a decrease of 15.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,295,000 at June 30, 2008.

The District had outstanding revenue bonds of \$325,000 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,295,000	1,455,000	-11.0%
Revenue bonds	325,000	390,000	-16.7%
Equipment lease	0	70,599	-100.0%
Totals	\$ 1,620,000	1,915,599	-15.4%

## 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 teachers union bargaining increase was 5% and the insurance costs increase was 5.25%
- The District increased its Management levy to pay for increase costs of liability insurance.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda McKenzie, Business Manager, Tri-Center Community School District, 33980 310<sup>th</sup> Street, Neola, Iowa, 51559.



BASIC FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,255,666	0	1,255,666
Other	561,622	12,100	573,722
Receivables:			
Property tax:			
Delinquent	27,609	0	27,609
Succeeding year	2,494,912	0	2,494,912
Income surtax	178,588	0	178,588
Accounts	138	59	197
Accrued ISCAP interest (Note 4)	4,890	0	4,890
Due from other governments	276,167	87	276,254
Inventories	0	26,444	26,444
Capital assets, net of accumulated depreciation (Note 5)	5,197,032	47,064	5,244,096
<b>TOTAL ASSETS</b>	<b>9,996,624</b>	<b>85,754</b>	<b>10,082,378</b>
<b>LIABILITIES</b>			
Accounts payable	62,330	0	62,330
Salaries and benefits payable	619,362	22,241	641,603
ISCAP warrants payable (Note 4)	1,247,000	0	1,247,000
ISCAP accrued interest payable (Note 4)	4,791	0	4,791
ISCAP unamortized premium	17,813	0	17,813
Accrued interest payable	3,607	0	3,607
Deferred revenue:			
Succeeding year property tax	2,494,912	0	2,494,912
Unearned Revenue	0	5,401	5,401
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	165,000	0	165,000
Revenue bonds payable	60,000	0	60,000
Portion due after one year:			
General obligation bonds payable	1,130,000	0	1,130,000
Revenue bonds payable	265,000	0	265,000
<b>TOTAL LIABILITIES</b>	<b>6,069,815</b>	<b>27,642</b>	<b>6,097,457</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,577,032	47,064	3,624,096
Restricted for:			
Talented and gifted	64,622	0	64,622
Salary improvement program	2,132	0	2,132
Market factor	634	0	634
Market factor incentive	5,430	0	5,430
Professional development	11,735	0	11,735
Management levy	46,638	0	46,638
Capital projects	129,521	0	129,521
Debt service	2,953	0	2,953
Other special revenue purposes	25,672	0	25,672
Unrestricted	60,440	11,048	71,488
<b>TOTAL NET ASSETS</b>	<b>\$ 3,926,809</b>	<b>58,112</b>	<b>3,984,921</b>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest		Govern- mental Activities	Buisness- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,996,271	607,379	495,996	(1,892,896)	0	(1,892,896)
Special instruction	683,419	79,957	0	(603,462)	0	(603,462)
Other instruction	722,956	286,086	11,122	(425,748)	0	(425,748)
	<u>4,402,646</u>	<u>973,422</u>	<u>507,118</u>	<u>(2,922,106)</u>	<u>0</u>	<u>(2,922,106)</u>
Support services:						
Student services	237,700	0	0	(237,700)	0	(237,700)
Instructional staff services	163,573	0	0	(163,573)	0	(163,573)
Administration services	786,502	0	0	(786,502)	0	(786,502)
Operation and maintenance of plant services	738,148	0	0	(738,148)	0	(738,148)
Transportation services	575,514	0	3,235	(572,279)	0	(572,279)
	<u>2,501,437</u>	<u>0</u>	<u>3,235</u>	<u>(2,498,202)</u>	<u>0</u>	<u>(2,498,202)</u>
Non-instructional programs:						
Food service programs	4,379	0	0	(4,379)	0	(4,379)
Community service operations	2,185	0	0	(2,185)	0	(2,185)
	<u>6,564</u>	<u>0</u>	<u>0</u>	<u>(6,564)</u>	<u>0</u>	<u>(6,564)</u>
Other expenditures:						
Facilities acquisitions	58,429	0	0	(58,429)	0	(58,429)
Long-term debt interest	62,114	0	0	(62,114)	0	(62,114)
AEA flowthrough	256,930	0	256,930	0	0	0
Depreciation (unallocated)*	182,194	0	0	(182,194)	0	(182,194)
	<u>559,667</u>	<u>0</u>	<u>256,930</u>	<u>(302,737)</u>	<u>0</u>	<u>(302,737)</u>
Total governmental activities	<u>7,470,314</u>	<u>973,422</u>	<u>767,283</u>	<u>(5,729,609)</u>	<u>0</u>	<u>(5,729,609)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	378,737	233,474	115,483	0	(29,780)	(29,780)
Total business-type activities	<u>378,737</u>	<u>233,474</u>	<u>115,483</u>	<u>0</u>	<u>(29,780)</u>	<u>(29,780)</u>
Total	<u>\$ 7,849,051</u>	<u>1,206,896</u>	<u>882,766</u>	<u>(5,729,609)</u>	<u>(29,780)</u>	<u>(5,759,389)</u>
<b>General Revenues &amp; Transfers:</b>						
<b>General revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,218,749	0	2,218,749
Debt service				157,726	0	157,726
Capital outlay				48,502	0	48,502
Local option sales and services				535,787	0	535,787
Unrestricted state grants				3,361,272	0	3,361,272
Unrestricted investment earnings				49,256	226	49,482
Other				24,641	0	24,641
Transfers				(1,423)	1,423	0
Total general revenues and transfers				<u>6,394,510</u>	<u>1,649</u>	<u>6,396,159</u>
Changes in net assets				664,901	(28,131)	636,770
Net assets beginning of year				<u>3,261,908</u>	<u>86,243</u>	<u>3,348,151</u>
Net assets end of year				<u>\$ 3,926,809</u>	<u>58,112</u>	<u>3,984,921</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,255,666	0	1,255,666
Other	522,834	71,939	594,773
Receivables:			
Property tax:			
Delinquent	23,675	3,934	27,609
Succeeding year	2,243,808	251,104	2,494,912
Income surtax	178,588	0	178,588
Accounts	138	0	138
Accrued ISCAP interest(Note 4)	4,890	0	4,890
Due from other governments	119,560	156,607	276,167
<b>TOTAL ASSETS</b>	<b>\$ 4,349,159</b>	<b>483,584</b>	<b>4,832,743</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Excess of warrants issued over bank balance	\$ 0	33,151	33,151
Accounts payable	62,330	0	62,330
Salaries and benefits payable	619,362	0	619,362
ISCAP warrants payable(Note 4)	1,247,000	0	1,247,000
ISCAP accrued interest payable(Note 4)	4,791	0	4,791
ISCAP unamortized premium	17,813	0	17,813
Deferred revenue:			
Succeeding year property tax	2,243,808	251,104	2,494,912
Income surtax	178,588	0	178,588
Total liabilities	4,373,692	284,255	4,657,947
Fund balances:			
Reserved for:			
Talented and gifted	64,622	0	64,622
Salary improvement program	2,132	0	2,132
Market factor	634	0	634
Market factor incentive	5,430	0	5,430
Professional Development	11,735	0	11,735
Debt service	0	2,953	2,953
Unreserved	(109,086)	196,376	87,290
Total fund balances	(24,533)	199,329	174,796
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,349,159</b>	<b>483,584</b>	<b>4,832,743</b>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$	174,796
 <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 in the governmental funds.		5,197,032
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		178,588
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.		(3,607)
Long-term liabilities, including general obligation bonds and revenue bonds, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,620,000)</u>
<b>Net assets of governmental activites (page 13)</b>	<b>\$</b>	<b><u><u>3,926,809</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 1,930,132	852,044	2,782,176
Tuition	645,367	0	645,367
Other	120,068	293,006	413,074
State sources	3,941,911	0	3,941,911
Federal sources	175,522	0	175,522
Total revenues	<u>6,813,000</u>	<u>1,145,050</u>	<u>7,958,050</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	3,026,518	9,853	3,036,371
Special instruction	683,419	0	683,419
Other instruction	410,300	308,334	718,634
	<u>4,120,237</u>	<u>318,187</u>	<u>4,438,424</u>
Support services:			
Student services	237,700	0	237,700
Instructional staff services	142,267	0	142,267
Administration services	743,498	38,701	782,199
Operation and maintenance of plant services	702,820	38,318	741,138
Transportation services	461,761	28,465	490,226
	<u>2,288,046</u>	<u>105,484</u>	<u>2,393,530</u>
Non-instructional programs:			
Food service programs	0	4,379	4,379
Community service operations	2,185	0	2,185
	<u>2,185</u>	<u>4,379</u>	<u>6,564</u>
Other expenditures:			
Facilities acquisitions	0	442,003	442,003
Long-term debt:			
Principal	0	295,599	295,599
Interest and fiscal charges	0	65,227	65,227
AEA flowthrough	256,930	0	256,930
	<u>256,930</u>	<u>802,829</u>	<u>1,059,759</u>
Total expenditures	<u>6,667,398</u>	<u>1,230,879</u>	<u>7,898,277</u>
Excess (deficiency) of revenues over (under) expenditures	145,602	(85,829)	59,773
Other financing sources (uses):			
Transfers in	0	202,796	202,796
Transfers out	(74,035)	(128,761)	(202,796)
Total other financing sources (uses)	<u>(74,035)</u>	<u>74,035</u>	<u>0</u>
Change in fund balances	71,567	(11,794)	59,773
Fund balance beginning of year	(96,100)	211,123	115,023
Fund balance end of year	<u>\$ (24,533)</u>	<u>199,329</u>	<u>174,796</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 59,773

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and the loss on disposal in the year are as follows:

Capital outlays	\$	468,760	
Depreciation expense		(336,231)	
Loss on disposal of assets		(4,701)	127,828

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 295,599

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 178,588

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. 3,113

**Changes in net assets of governmental activities (page 14) \$ 664,901**

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 12,100
Accounts receivable	59
Due from other governments	87
Inventories	26,444
Capital assets, net of accumulated depreciation(Note 5)	47,064
TOTAL ASSETS	<u>85,754</u>
LIABILITIES	
Salaries and benefits payable	22,241
Unearned revenue	5,401
TOTAL LIABILITIES	<u>27,642</u>
NET ASSETS	
Invested in capital assets	47,064
Unrestricted	11,048
TOTAL NET ASSETS	<u>\$ 58,112</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2008

	School Nutrition
Operating Revenues:	
Local sources:	
Charges for services	\$ 233,474
Operating Expenses:	
Non-instructional programs:	
Salaries	171,021
Benefits	33,218
Services	139
Supplies	167,368
Depreciation	6,771
Total operating expenses	378,517
Operating Loss	(145,043)
Non-operating Revenues:	
State sources	4,217
Federal sources	111,267
Interest on investments	226
Total non-operating revenues	115,710
Net loss before other financing sources (uses):	(29,333)
Other financing sources (uses)	
Capital contribution	1,423
Loss on disposal of assets	(221)
Total other financing sources (uses)	1,202
Change in net assets	(28,131)
Net assets beginning of year	86,243
Net assets end of year	\$ 58,112

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 234,217
Cash received from miscellaneous	101
Cash payments to employees for services	(201,464)
Cash payments to suppliers for goods or services	(138,797)
Net cash used in operating activities	(105,943)
Cash flows from non-capital financing activities:	
State grants received	4,217
Federal grants received	83,493
Net cash provided by non-capital financing activities	87,710
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,020)
Cash flows from investing activities:	
Interest on investments	226
Net decrease in cash and cash equivalents	(20,027)
Cash and cash equivalents at beginning of year	32,127
Cash and cash equivalents at end of year	\$ 12,100
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (145,043)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,687
Depreciation	6,771
Decrease in inventories	1,023
Increase in accounts receivable	(59)
Increase in salaries and benefits payable	2,775
Increase in deferred revenue	903
Net cash used in operating activities	\$ (105,943)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 12,100

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$27,687.

During the year ended June 30, 2008, the Nutrition Fund received Capital Contributions from the Capital Projects of \$1,423.

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2008

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 43,202
Total assets	<u>43,202</u>
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 43,202</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,961
Deductions:	
Instruction:	
Scholarships awarded	1,300
Change in net assets	661
Net assets beginning of year	42,541
Net assets end of year	\$ 43,202

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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

The Tri-Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Neola, Minden and Persia, Iowa, and the predominate agricultural territory in Harrison, Pottawattamie and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Pottawattamie and Shelby Counties Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following major proprietary fund which is the School Nutrition Fund.

The Nutrition fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007

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, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account

balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

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

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements in the support services function exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2008 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in certificates of deposit due over one year, are as follows:

	<u>Fair Value</u>
Certificates of deposit	\$ 10,000

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and held by the District in the District's name. Certificates of deposit are stated at fair value.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 128,761
Debt Service	General	74,035
Total		<u>\$ 202,796</u>

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

(4) **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 at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/08	1/23/09	\$ 300,972	4,529	303,000	4,514
2008-09A	6/26/08	6/23/09	954,694	361	944,000	277
Total			<u>\$ 1,255,666</u>	<u>4,890</u>	<u>1,247,000</u>	<u>4,791</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 during the year ended June 30, 2008, is the following:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	350,000	350,000	0
2007-08B	0	50,000	50,000	0
Total	\$ 0	400,000	400,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	0	0	12,669
Total capital assets not being depreciated	12,669	0	0	12,669
Capital assets being depreciated:				
Buildings	5,260,843	383,574	0	5,644,417
Land improvements	1,390,707	0	3,481	1,387,226
Machinery and equipment	1,808,080	85,186	68,160	1,825,106
Total capital assets being depreciated	8,459,630	468,760	71,641	8,856,749
Less accumulated depreciation for:				
Buildings	2,067,231	112,888	0	2,180,119
Land improvements	311,344	69,306	696	379,954
Machinery and equipment	1,024,520	154,037	66,244	1,112,313
Total accumulated depreciation	3,403,095	336,231	66,940	3,672,386
Total capital assets being depreciated, net	5,056,535	132,529	4,701	5,184,363
Governmental activities capital assets, net	\$ 5,069,204	132,529	4,701	5,197,032

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 95,067	3,443	4,215	94,295
Less accumulated depreciation	44,454	6,771	3,994	47,231
Business-type activities capital assets, net	\$ 50,613	(3,328)	221	47,064

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 23,720
Other		14,318
Support services:		
Instructional staff		21,306
Administration		4,303
Operation and maintenance of plant		9,803
Transportation		80,587
		<u>154,037</u>
Unallocated depreciation		<u>182,194</u>
Total governmental activities depreciation expense		<u>\$ 336,231</u>
Business-type activities:		
Food service operations		<u>\$ 6,771</u>

#### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,455,000	0	160,000	1,295,000	165,000
Revenue bonds	390,000	0	65,000	325,000	60,000
Equipment lease	70,599	0	70,599	0	0
Total	\$ 1,915,599	0	295,599	1,620,000	225,000

#### General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue April 1, 2003			
	Interest Rates	Principal	Interest	Total
2009	3.75 %	\$ 165,000	43,280	208,280
2010	3.85	170,000	38,165	208,165
2011	3.75	175,000	32,725	207,725
2012	3.85	185,000	27,125	212,125
2013	3.75	190,000	21,020	211,020
2014	3.85	200,000	14,560	214,560
2015	3.75	210,000	7,560	217,560
<b>Total</b>		<b>\$ 1,295,000</b>	<b>184,435</b>	<b>1,479,435</b>

#### Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 29, 2007			
	Interest Rates	Principal	Interest	Total
2009	3.95 %	\$ 60,000	13,040	73,040
2010	3.95	65,000	10,670	75,670
2011	4.00	65,000	8,103	73,103
2012	4.05	65,000	5,503	70,503
2013	4.10	70,000	2,870	72,870
<b>Total</b>		<b>\$ 325,000</b>	<b>40,186</b>	<b>365,186</b>

The District has pledge future local option sales and services tax revenues to repay the \$390,000 bonds issued in May 2007. The bonds were issued for the purpose of calling revenue bond anticipation notes. The bonds are payable solely from the proceeds of the local option sales and services received by the District and are payable through 2013. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 14% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$365,186. For the current year, principal and interest was paid on the bonds of \$78,761 and the total local options sales and services tax revenues were \$535,787.

#### **(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the

years ended June 30, 2008, 2007, and 2006 were \$254,287, \$197,817, and \$212,137, respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$256,930 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balance**

At June 30, 2008, The Physical Plant and Equipment Levy (PPEL) Fund had a deficit undesignated fund balance of \$5,455 and the General Fund had a deficit undesignated fund balance of \$109,086. The Activity Fund also had two deficits account totaling \$2,532.

**(11) Budget Over-expenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2008, disbursements in the other expenditures function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,840,617	233,700	4,074,317	4,198,614	4,198,614	(124,297)
State sources	3,941,911	4,217	3,946,128	3,943,178	3,943,178	2,950
Federal sources	175,522	111,267	286,789	320,000	320,000	(33,211)
Total revenues	<u>7,958,050</u>	<u>349,184</u>	<u>8,307,234</u>	<u>8,461,792</u>	<u>8,461,792</u>	<u>(154,558)</u>
Expenditures:						
Instruction	4,438,424	0	4,438,424	4,718,675	4,718,675	280,251
Support services	2,393,530	0	2,393,530	3,077,240	3,077,240	683,710
Non-instructional programs	6,564	378,517	385,081	408,000	408,000	22,919
Other expenditures	1,059,759	0	1,059,759	1,059,721	1,059,721	(38)
Total expenditures	<u>7,898,277</u>	<u>378,517</u>	<u>8,276,794</u>	<u>9,263,636</u>	<u>9,263,636</u>	<u>986,842</u>
Excess(deficiency) of revenues over(under) expenditures	59,773	(29,333)	30,440	(801,844)	(801,844)	832,284
Other financing sources, net	0	1,202	1,202	2,000	2,000	798
Excess(deficiency) of revenues over(under) expenditures	59,773	(28,131)	31,642	(799,844)	(799,844)	831,486
Balance beginning of year	115,023	86,243	201,266	826,733	826,733	625,467
Balance end of year	<u>\$ 174,796</u>	<u>58,112</u>	<u>232,908</u>	<u>26,889</u>	<u>26,889</u>	<u>206,019</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the other expenditures function exceeded budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical	Total	Capital Projects	Debt Service	Other
			Plant & Equipment Levy				Non-major Governmental Funds
<b>ASSETS</b>							
Cash and pooled investments	\$ 45,288	25,672	0	70,960	0	979	71,939
Receivables:							
Property tax:							
Delinquent	1,350	0	610	1,960	0	1,974	3,934
Succeeding year	90,000	0	52,824	142,824	0	108,280	251,104
Due from other governments	0	0	0	0	156,607	0	156,607
<b>TOTAL ASSETS</b>	<b>\$ 136,638</b>	<b>25,672</b>	<b>53,434</b>	<b>215,744</b>	<b>156,607</b>	<b>111,233</b>	<b>483,584</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Excess of warrants issued over bank balance	\$ 0	0	6,065	6,065	27,086	0	33,151
Deferred revenue:							
Succeeding year property tax	90,000	0	52,824	142,824	0	108,280	251,104
Total liabilities	90,000	0	58,889	148,889	27,086	108,280	284,255
Fund balances:							
Reserved for Debt Service	0	0	0	0	0	2,953	2,953
Unreserved	46,638	25,672	(5,455)	66,855	129,521	0	196,376
Total fund balances	46,638	25,672	(5,455)	66,855	129,521	2,953	199,329
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 136,638</b>	<b>25,672</b>	<b>53,434</b>	<b>215,744</b>	<b>156,607</b>	<b>111,233</b>	<b>483,584</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 110,029	0	48,502	158,531	535,787	157,726	852,044
Other	347	291,741	48	292,136	430	440	293,006
<b>TOTAL REVENUES</b>	<b>110,376</b>	<b>291,741</b>	<b>48,550</b>	<b>450,667</b>	<b>536,217</b>	<b>158,166</b>	<b>1,145,050</b>
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	9,853	0	0	9,853	0	0	9,853
Other instruction	0	308,334	0	308,334	0	0	308,334
Support services:							
Administration services	38,701	0	0	38,701	0	0	38,701
Operation and maintenance of plant services	38,318	0	0	38,318	0	0	38,318
Student transportation	28,465	0	0	28,465	0	0	28,465
Non-instructional programs:							
Food service operation	4,379	0	0	4,379	0	0	4,379
Other expenditures:							
Facilities acquisition	0	0	0	0	442,003	0	442,003
Long-term debt:							
Principal	0	0	0	0	0	295,599	295,599
Interest and fiscal charges	0	0	0	0	0	65,227	65,227
<b>TOTAL EXPENDITURES</b>	<b>119,716</b>	<b>308,334</b>	<b>0</b>	<b>428,050</b>	<b>442,003</b>	<b>360,826</b>	<b>1,230,879</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES							
	(9,340)	(16,593)	48,550	22,617	94,214	(202,660)	(85,829)
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	0	0	0	202,796	202,796
Transfer out	0	0	0	0	(128,761)	0	(128,761)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(128,761)</b>	<b>202,796</b>	<b>74,035</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES							
	(9,340)	(16,593)	48,550	22,617	(34,547)	136	(214,590)
FUND BALANCE BEGINNING OF YEAR							
	55,978	42,265	(54,005)	44,238	164,068	2,817	211,123
FUND BALANCE END OF YEAR							
	\$ 46,638	25,672	(5,455)	66,855	129,521	2,953	199,329

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 519	1,073	1,034	558
Cross Country	381	1,827	2,182	26
Boys Basketball	2,095	22,693	21,852	2,936
Football	101	13,713	13,814	0
Soccer	67	6,661	6,669	59
Baseball	115	11,945	11,694	366
Boys Track	(2,183)	4,503	4,224	(1,904)
Golf	44	984	990	38
Wrestling	7	7,369	7,329	47
Girls Basketball	225	5,128	5,341	12
Volleyball	1,476	6,660	7,926	210
Summer Softball	133	4,767	4,408	492
Girls Track	1,043	6,297	6,997	343
Misc Athletics	217	8,942	9,787	(628)
General Activity	634	10,799	11,045	388
Class of 2007	1,145	0	1,145	0
Class of 2008	2,810	1,454	4,264	0
Book Fair	418	5,335	5,588	165
Leadership	3,672	11,889	15,057	504
Class of 2009	0	19,893	17,318	2,575
Yearbook	3,993	11,116	9,415	5,694
Student Council-Persia	1,203	925	2,031	97
Student Council	1,211	11,327	12,523	15
Elementary Student Council	2,470	1,047	3,049	468
Musicals	5,326	6,950	9,485	2,791
Special Education Athletics	1,885	42	1,108	819
High School Cheerleaders	241	3,294	1,865	1,670
Drill Team	465	0	0	465
Elementary Art Club	1,031	2,859	2,229	1,661
National Honor Society	106	650	559	197
Astra	849	1,846	2,369	326
FFA	10,435	21,200	28,445	3,190
Vending	33	17,041	17,009	65
Music Boosters	98	2,690	2,656	132
Trojan Fit Club	0	475	245	230
Trip	0	58,347	56,682	1,665
<b>Total</b>	<b>\$ 42,265</b>	<b>291,741</b>	<b>308,334</b>	<b>25,672</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,782,176	2,423,778	2,398,369	2,285,136	2,398,384
Tuition	645,367	536,115	498,842	526,330	471,937
Other	413,074	443,285	357,153	333,558	334,713
Intermediate sources	0	0	0	18,862	0
State sources	3,941,911	3,611,309	3,373,903	3,099,837	2,945,893
Federal sources	175,522	186,544	179,102	314,822	397,216
<b>Total</b>	<b>\$ 7,958,050</b>	<b>7,201,031</b>	<b>6,807,369</b>	<b>6,578,545</b>	<b>6,548,143</b>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,036,371	2,981,854	2,670,044	2,582,164	2,506,651
Special instruction	683,419	632,454	600,306	695,169	606,173
Other instruction	718,634	648,224	618,370	520,746	564,314
Support services:					
Student services	237,700	223,160	221,364	215,521	272,872
Instructional staff services	142,267	176,587	219,886	188,093	158,631
Administration services	782,199	844,635	667,394	631,440	576,396
Operation and maintenance of plant services	741,138	718,495	743,051	578,909	553,285
Transportation services	490,226	527,941	535,955	386,175	418,434
Non-instructional programs	6,564	13,536	5,815	8,907	11,095
Other expenditures:					
Facilities acquisitions	442,003	159,016	934,601	240,274	168,144
Long-term debt:					
Principal	295,599	437,550	240,000	287,498	273,521
Interest	65,227	78,178	77,545	114,560	127,779
AEA flow-through	256,930	238,260	219,625	204,512	206,915
<b>Total</b>	<b>\$ 7,898,277</b>	<b>7,679,890</b>	<b>7,753,956</b>	<b>6,653,968</b>	<b>6,444,210</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of the  
Tri-Center Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2009. 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 Tri-Center 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 Tri-Center Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Tri-Center Community School District's internal control 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 Tri-Center 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 Tri-Center Community School District's financial statements that is more than inconsequential will not be prevented or detected by Tri-Center Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements.

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 Tri-Center 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 item I-A-08 is a material weakness.

Compliance and Other Matters

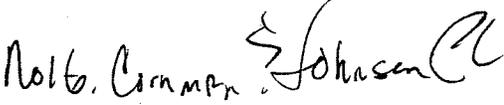
As part of obtaining reasonable assurance about whether Tri-Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tri-Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri-Center 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 Tri-Center Community School District and other parties to whom Tri-Center Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2009

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-08 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all events that require an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.

- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response – We will comply.

Conclusion - Response accepted.

- I-C-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - We will comply.

Conclusion - Response accepted.

- I-D-08 Clothing Purchased for Coaches - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - We will comply.

Conclusion - Response accepted.

- I-E-08 Supporting Documents for Payments Made with Credit Card – It was noted during the audit, that when purchases are being made with a credit cards, a detailed receipt is not always turned in to the Central Office for supporting documentation of the purchase. The credit card receipt did not provide a detail description of the purchase.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review their procedures in place with personnel to ensure that the proper detailed documentation will be available for supporting documentation. The District should require additional approval of expense, if proper documentation is not available.

Response - We will comply.

Conclusion - Response accepted.

I-F-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be review every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We will comply.

Conclusion - Response accepted.

I-G-08 Insurance Dividend - It was noted during the audit that the District recorded a dividend from the property insurance of \$13,509, into the General Fund. The District has, however, paid for the premium out the Special Revenue, Management Levy Fund.

Recommendation - The District should make a corrective transfer from the General Fund to the Management Levy Fund in the amount of 13,509.

Response - We will comply.

Conclusion - Response accepted.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, exceeded the budgeted amount in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will amend in the future.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979, except as noted in I-D-08.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - No business transactions between the District and District officials were noted.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - The District had a deficit undesignated fund balance of \$5,455 in the Physical Plant and Equipment Levy (PPEL) Fund and a deficit undesignated fund balance in the General Fund of \$109,086. The District also had two deficit accounts balance in the Activity Fund totaling \$2,532.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will work to bring the deficits to positive balances.

Conclusion - Response accepted.