

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District, Bode, Iowa, as of and for the year ended June 30, 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 Twin Rivers Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2009, on our consideration of Twin Rivers Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 13 and 38 through 39 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 Twin Rivers Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

April 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Rivers Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,213,760 in fiscal 2007 to \$2,449,516 in fiscal 2008, while General Fund expenditures decreased from \$2,389,937 in fiscal 2007 to \$2,326,098 in fiscal 2008. The District's General Fund balance increased from \$(91,738) in fiscal 2007 to \$8,823 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in local, state and federal revenue in fiscal 2008. The decrease in expenditures was due primarily to a decrease in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2008.
- The School Budget Review Committee directed the district to reimburse the General Fund for infrastructure expenditures in the amount of \$64,315 from the SILO Fund. This was additional revenue for the General Fund operation. The SBRC also awarded the district \$192,906 in modified allowable growth for the negative unspent balance from the fiscal year 2006-07. The district will also submit monthly reports to its board and to the SBRC demonstrating the financial position of the district in relationship to its certified budget and maximum spending authority.
- The effect of declining enrollment has placed a serious restriction on what could be generated for General Fund purposes.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Twin Rivers Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

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

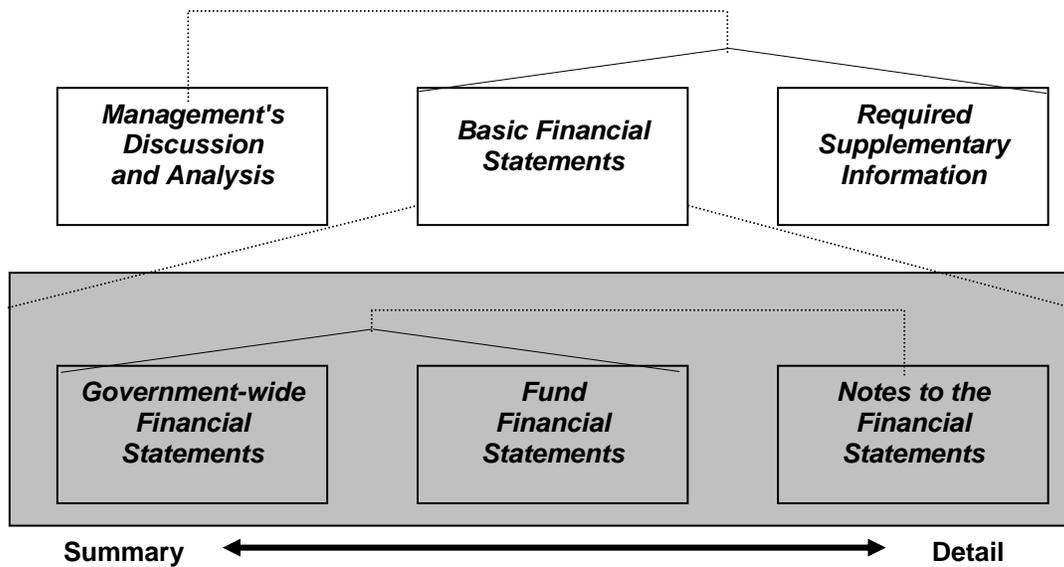


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund and Special Revenue Funds, that consist of Activity, Management, and Physical Plant and Equipment Levy Funds.

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,094,444	2,569,774	(17,068)	(38,747)	2,077,376	2,531,027	22%
Capital assets	531,915	485,332	16,672	18,599	548,587	503,931	-8%
Total assets	2,626,359	3,055,106	(396)	(20,148)	2,625,963	3,034,958	16%
Long-term liabilities	198,186	103,341	-	-	198,186	103,341	-48%
Other liabilities	1,890,178	2,137,152	1,277	-	1,891,455	2,137,152	13%
Total liabilities	2,088,364	2,240,493	1,277	-	2,089,641	2,240,493	7%
Net Assets:							
Invested in capital assets, net of related debt	361,895	392,164	16,672	18,599	378,567	410,763	9%
Restricted	219,248	322,532	-	-	219,248	322,532	47%
Unrestricted	(43,148)	99,917	(18,345)	(38,747)	(61,493)	61,170	199%
TOTAL NET ASSETS	537,995	814,613	(1,673)	(20,148)	536,322	794,465	48%

The District's combined net assets increased by nearly 48%, or approximately \$258,143, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$103,284 or 47% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$122,663, or 199%.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	
Revenues							
Program Revenues:							
Charges for services	508,165	444,809	54,822	83,862	562,987	528,671	-6%
Operating grants & contributions	257,000	265,932	38,431	43,711	295,431	309,643	5%
Capital grants & contributions	25,000	-	-	-	25,000	-	100%
General Revenues:							
Property taxes	1,055,982	1,204,906	-	-	1,055,982	1,204,906	14%
Income Surtax	52,725	156,260	-	-	52,725	156,260	196%
Local option sales tax	123,260	130,497	-	-	123,260	130,497	6%
Unrestricted state grants	532,608	551,438	-	-	532,608	551,438	4%
Unrestricted investment earnings	13,629	30,091	57	56	13,686	30,147	120%
Other revenue	4,459	7,433	-	-	4,459	7,433	67%
Total Revenues	2,572,828	2,791,366	93,310	127,629	2,666,138	2,918,995	9%
Expenses:							
Instruction	1,653,566	1,607,823	-	-	1,653,566	1,607,823	-3%
Support services	823,810	797,006	-	-	823,810	797,006	-3%
Non-instructional programs	-	-	138,998	154,104	138,998	154,104	11%
Other expenditures	138,623	101,919	-	-	138,623	101,919	-26%
Total expenses	2,615,999	2,506,748	138,998	154,104	2,754,997	2,660,852	-3%
Change in net assets before Transfers	(43,171)	284,618	(45,688)	(26,475)	(88,859)	258,143	391%
Transfers	(25,000)	(8,000)	25,000	8,000	-	-	0%
CHANGE IN NET ASSETS	(68,171)	276,618	(20,688)	(18,475)	(88,859)	258,143	391%
Net assets beginning of year	606,166	537,995	19,015	(1,673)	625,181	536,322	-14%
Net assets end of year	537,995	814,613	(1,673)	(20,148)	536,322	794,465	48%

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

Governmental Activities

Revenues for governmental activities were \$2,791,366 and expenses were \$2,506,748. The District revenues exceeded expenditures by \$284,618.

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 2007	Total Cost of Services 2008	Net Cost of Services 2007	Net Cost of Services 2008
	\$	\$	\$	\$
Instruction	1,653,566	1,607,823	1,000,892	982,939
Support Services	823,810	797,006	780,081	781,396
Non-instructional Programs	-	-	-	-
Other Expenses	138,623	101,919	44,861	31,672
TOTAL	2,615,999	2,506,748	1,825,834	1,796,007

- The cost financed by users of the District’s programs was \$444,809.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$265,932.
- The net cost of governmental activities was financed with \$1,491,663 in property and other taxes and \$551,438 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$127,629 and expenses were \$154,104. The District’s business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District’s business-type activities show a decrease in net assets with expenses exceeding revenues \$26,475. The district transferred \$8,000 from Governmental Activities to Business-Type Activities to supplement the nutrition program.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$341,528, above last year’s ending fund balances of \$155,676.

Governmental Fund Highlights

The District’s General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues exceeded the District’s increase in General Fund expenditures.

- The General Fund balance increased from \$(91,738) to \$8,823, due in part to decreases in the negotiated salary and benefits and reductions in existing expenditure commitments of the District.
- The Capital Projects Fund balance increased from \$155,400 in fiscal 2007 to \$232,312 in fiscal 2008.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$21,850 at June 30, 2007 to \$24,335 at June 30, 2008, representing an increase of approximately 11%. The Nutrition Fund has been supported by the General Fund with \$8,000 for the 2007-08 school year, which is \$17,000 less than the previous fiscal year. The district has decreased staff, will be making cooperative food purchases, and increase lunch prices for 2008-09.

The District's "Thunderville Preschool and Childcare" suffered a \$20,960 loss for 2007-08. The expenses of building rent, salaries, benefits, meals, and supplies have exceeded the total revenues for the year. The participation has continually grown and it is the hope of the district that the offering of a preschool and childcare will keep patrons in the district by fulfilling these needs. An application for the 4-Year Old Preschool Grant was approved for 2008-09 to help fund the preschool program.

BUDGETARY HIGHLIGHTS

The District's revenues were \$269,727 less than budgeted revenues. Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$503,931, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$57,821.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	5,000	5,000	-	-	5,000	5,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	77,864	316,634	-	-	77,864	316,634	307%
Improvements	276,645	31,108	-	-	276,645	31,108	-89%
Equipment & Furniture	172,406	132,590	16,672	18,599	189,078	151,189	-20%
TOTAL	531,915	485,332	16,672	18,599	548,587	503,931	-8%

Long-Term Debt

At June 30, 2008, the District had \$103,341 in revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 48% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District has leased buses under a capital lease. The present value of minimum lease payments is \$93,168 at the end of 2008.

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

	Total School District		Percentage
	2007	2008	Change
	\$	\$	2007-2008
Local Option Sales and Services			
Tax Revenue Bonds	50,000	-	-100%
Capital Loan Notes	10,113	-	-100%
Capital Leases	109,907	93,168	-15%
Termination Benefits	28,166	10,173	-64%
	<u>198,186</u>	<u>103,341</u>	<u>-48%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The voted School Infrastructure Local Option Sales and Service Tax will add approximately \$100,000 per year to the District for infrastructure projects. SILO Fund expenditures will be allowed after May of 2008.
- The district enrollment had been decreasing in past years, but has been stable for the past two years. A decrease of 10-15 students is probable in 2008-09. The declining enrollment has been a major factor in the inability to balance the budget.
- The District will negotiate a new agreement during fiscal 2009. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The increasing costs of fuels for transportation and heating of the district's buildings will cause decreased spending elsewhere in the budget.
- The district is open to all opportunities to share staff, programs, athletics, and administration with surrounding districts in order to cut costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Halsrud, District Secretary/Treasurer, Twin Rivers Community School District, 200 College Avenue, Bode, Iowa 50519.

BASIC FINANCIAL STATEMENTS

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	647,483	-	647,483
Other	312,083	1,881	313,964
Receivables:			
Property tax:			
Delinquent	24,713	-	24,713
Succeeding year	1,377,265	-	1,377,265
Accounts	19	2,840	2,859
Accrued interest:			
ISCAP	5,479	-	5,479
Due from other governments	157,653	-	157,653
Interfund balances	45,079	(45,079)	-
Inventories	-	1,611	1,611
Capital assets, net of accumulated depreciation	485,332	18,599	503,931
	<u>3,055,106</u>	<u>(20,148)</u>	<u>3,034,958</u>
Liabilities			
Warrants in excess of bank balance	84,633	-	84,633
Accounts payable	15,359	-	15,359
Accrued interest payable	3,136	-	3,136
Deferred revenue:			
Succeeding year property tax	1,377,265	-	1,377,265
ISCAP warrants payable	644,000	-	644,000
ISCAP accrued interest payable	5,926	-	5,926
ISCAP premium	6,833	-	6,833
Long-term liabilities:			
Portion due within one year:			
Capital leases	17,585	-	17,585
Termination benefits	7,435	-	7,435
Portion due after one year:			
Capital leases	75,583	-	75,583
Termination benefits	2,738	-	2,738
	<u>2,240,493</u>	<u>-</u>	<u>2,240,493</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	392,164	18,599	410,763
Restricted for:			
Management levy	38,139	-	38,139
Physical plant and equipment levy	37,106	-	37,106
Other special revenue purposes	14,975	-	14,975
Local option sales tax capital projects	232,312	-	232,312
Unrestricted	99,917	(38,747)	61,170
Total net assets	<u>814,613</u>	<u>(20,148)</u>	<u>794,465</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,133,219	439,613	146,029	-
Special	164,448	-	-	-
Other	310,156	-	39,242	-
	<u>1,607,823</u>	<u>439,613</u>	<u>185,271</u>	<u>-</u>
Support services:				
Student	25,545	-	-	-
Instructional staff	102,398	-	9,705	-
Administration	367,227	-	-	-
Operation and maintenance of plant	194,587	-	-	-
Transportation	107,249	5,196	709	-
	<u>797,006</u>	<u>5,196</u>	<u>10,414</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	5,201	-	-	-
Long-term debt interest	6,455	-	-	-
AEA flowthrough	70,247	-	70,247	-
Depreciation (unallocated)*	20,016	-	-	-
	<u>101,919</u>	<u>-</u>	<u>70,247</u>	<u>-</u>
Total governmental activities	2,506,748	444,809	265,932	-
Business type activities:				
Non-instructional programs:				
Food service operations	79,236	39,965	33,700	-
Student construction project	74,868	43,897	10,011	-
Total business-type activities	<u>154,104</u>	<u>83,862</u>	<u>43,711</u>	<u>-</u>
Total	<u>2,660,852</u>	<u>528,671</u>	<u>309,643</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(547,577)	-	(547,577)
(164,448)	-	(164,448)
(270,914)	-	(270,914)
<u>(982,939)</u>	<u>-</u>	<u>(982,939)</u>
(25,545)	-	(25,545)
(92,693)	-	(92,693)
(367,227)	-	(367,227)
(194,587)	-	(194,587)
(101,344)	-	(101,344)
<u>(781,396)</u>	<u>-</u>	<u>(781,396)</u>
(5,201)	-	(5,201)
(6,455)	-	(6,455)
-	-	-
(20,016)	-	(20,016)
<u>(31,672)</u>	<u>-</u>	<u>(31,672)</u>
(1,796,007)	-	(1,796,007)
-	(5,571)	(5,571)
-	(20,960)	(20,960)
-	<u>(26,531)</u>	<u>(26,531)</u>
<u>(1,796,007)</u>	<u>(26,531)</u>	<u>(1,822,538)</u>
1,179,694	-	1,179,694
25,212	-	25,212
156,260	-	156,260
130,497	-	130,497
551,438	-	551,438
30,091	56	30,147
7,433	-	7,433
<u>2,080,625</u>	<u>56</u>	<u>2,080,681</u>
(8,000)	8,000	-
<u>2,072,625</u>	<u>8,056</u>	<u>2,080,681</u>
276,618	(18,475)	258,143
<u>537,995</u>	<u>(1,673)</u>	<u>536,322</u>
<u>814,613</u>	<u>(20,148)</u>	<u>794,465</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			
ISCAP	647,483	-	647,483
Other	-	312,083	312,083
Receivables:			
Property tax:			
Delinquent	23,173	1,540	24,713
Succeeding year	1,300,465	76,800	1,377,265
Accounts	19	-	19
Accrued interest - ISCAP	5,479	-	5,479
Interfund receivable	45,079	-	45,079
Due from other governments	138,545	19,108	157,653
Total assets	2,160,243	409,531	2,569,774
Liabilities and Fund Balances			
Liabilities:			
Warrants issued in excess of bank balance	84,633	-	84,633
Accounts payable	15,333	26	15,359
ISCAP premium payable	6,833	-	6,833
ISCAP warrants payable	644,000	-	644,000
ISCAP accrued interest payable	5,926	-	5,926
Deferred revenue:			
Succeeding year property tax	1,300,465	76,800	1,377,265
Other	94,230	-	94,230
Total liabilities	2,151,420	76,826	2,228,246
Fund balances:			
Unreserved reported in:			
General Fund	8,823	-	8,823
Special Revenue Funds	-	100,393	100,393
Capital Projects Fund	-	232,312	232,312
Total fund balances	8,823	332,705	341,528
Total liabilities and fund balances	2,160,243	409,531	2,569,774

TWIN RIVERS 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 (Exhibit C)	341,528
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	485,332
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	94,230
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.	(3,136)
Long-term liabilities, including capital leases and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(103,341)</u>
Net assets of governmental activities (Exhibit A)	<u><u>814,613</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,244,543	205,615	1,450,158
Tuition	267,517	-	267,517
Other	120,134	87,249	207,383
State sources	753,390	48	753,438
Federal sources	63,932	-	63,932
Total revenues	<u>2,449,516</u>	<u>292,912</u>	<u>2,742,428</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,124,709	18,189	1,142,898
Special	174,698	-	174,698
Other	236,325	73,831	310,156
	<u>1,535,732</u>	<u>92,020</u>	<u>1,627,752</u>
Support services:			
Student	25,041	504	25,545
Instructional staff	102,398	-	102,398
Administration	367,227	-	367,227
Operation and maintenance of plant	146,707	47,880	194,587
Transportation	78,746	-	78,746
	<u>720,119</u>	<u>48,384</u>	<u>768,503</u>
Other expenditures:			
Facilities acquisition	-	5,201	5,201
Long-term debt:			
Principal	-	76,852	76,852
Interest and fiscal charges	-	7,454	7,454
AEA flowthrough	70,247	-	70,247
	<u>70,247</u>	<u>89,507</u>	<u>159,754</u>
Total expenditures	<u>2,326,098</u>	<u>229,911</u>	<u>2,556,009</u>
Excess (deficiency) of revenues over (under) expenditures	<u>123,418</u>	<u>63,001</u>	<u>186,419</u>
Other financing sources (uses):			
Sales of equipment and real property	7,433	-	7,433
Operating transfers in	-	84,306	84,306
Operating transfers out	(30,290)	(62,016)	(92,306)
Total other financing sources (uses)	<u>(22,857)</u>	<u>22,290</u>	<u>(567)</u>
Net change in fund balances	100,561	85,291	185,852
Fund balances beginning of year	<u>(91,738)</u>	<u>247,414</u>	<u>155,676</u>
Fund balances end of year	<u>8,823</u>	<u>332,705</u>	<u>341,528</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		185,852
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	10,250	
Depreciation expense	<u>(56,833)</u>	(46,583)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		41,505
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		76,852
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.		999
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>17,993</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>276,618</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	1,881
Accounts receivable	2,840
Inventories	1,611
Capital assets, net of accumulated depreciation	<u>18,599</u>
Total assets	<u>24,931</u>
Liabilities	
Interfund payable	<u>45,079</u>
Net assets	
Invested in capital assets, net of related debt	18,599
Unrestricted	<u>(38,747)</u>
Total net assets	<u><u>(20,148)</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>83,862</u>
Operating expenses:	
Non-instructional programs:	
Salaries	72,736
Benefits	8,952
Purchased services	12,186
Supplies	59,242
Depreciation	988
Total operating expenses	<u>154,104</u>
Operating gain (loss)	<u>(70,242)</u>
Non-operating revenues:	
State sources	864
Federal sources	41,748
Donations	1,099
Interest income	56
Total non-operating revenues	<u>43,767</u>
Gain (loss) before transfers	(26,475)
Transfers in	<u>8,000</u>
Change in net assets	(18,475)
Net assets beginning of year	<u>(1,673)</u>
Net assets end of year	<u><u>(20,148)</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	36,444
Cash received from daycare services	43,897
Cash payments to employees for services	(81,688)
Cash payments to suppliers for goods or services	(65,082)
Net cash used by operating activities	<u>(66,429)</u>
Cash flows from non-capital financing activities:	
Operating transfers	8,000
Donations	1,099
State grants received	864
Federal grants received	35,488
Net cash provided by non-capital financing activities	<u>45,451</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,915)
Interfund loans	21,296
Net cash used by capital and related financing activities	<u>18,381</u>
Cash flows from investing activities:	
Interest on investments	56
Net increase (decrease) in cash and cash equivalents	(2,541)
Cash and cash equivalents at beginning of year	4,422
Cash and cash equivalents at end of year	<u><u>1,881</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(70,242)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,924
Depreciation	988
Decrease (increase) in inventories	422
Decrease (increase) in accounts receivable	(2,244)
(Decrease) increase in deferred revenue	(1,277)
Net cash used by operating activities	<u><u>(66,429)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$5,924 of federal commodities.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	14,153
Land	<u>50,000</u>
Total assets	64,153
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	14,153
Unreserved	<u>50,000</u>
Total net assets	<u><u>64,153</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Rent	13,118
Interest	97
Total additions	<u>13,215</u>
Deductions:	
Support services:	
Scholarships awarded	9,520
Property taxes	1,947
Miscellaneous	770
Total deductions	<u>12,237</u>
Change in net assets	978
Net assets beginning of year	<u>63,175</u>
Net assets end of year	<u><u>64,153</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Bode, Livermore, and Gilmore City, Iowa and the predominately agricultural territory in a portion of Humboldt and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Twin Rivers Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Twin Rivers Community School District has one component unit that meets the Governmental Accounting Standards Board criteria. The Twin Rivers Education Foundation has been included as a blended component unit and is included in the District's financial statements as a private purpose trust fund.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted, and the District exceeded its General Fund unspent authorized budget.

2. Cash and Pooled Investments

The District's deposits in banks 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; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

3. Interfund Receivables and Payable

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise Child Care Fund	45,079

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

4. Interfund Transfers

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

Transfer To	Transfer From	Amount \$
Nonmajor Governmental, Debt Service Fund	Nonmajor Governmental PPEL Fund	10,562
Nonmajor Governmental, Debt Service Fund	Nonmajor Governmental Capital Projects	51,454
Nonmajor Enterprise, School Nutrition Fund	General Fund	8,000
Nonmajor Governmental, Debt Service Fund	General Fund	22,290

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

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2007-08B	01/23/08	01/23/09	358,148	5,369	357,000	5,816
2008-09A	06/26/08	06/25/09	289,339	110	287,000	110
Total			<u>647,483</u>	<u>5,479</u>	<u>644,000</u>	<u>5,926</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 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	225,000	225,000	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2007-08A	4.500	5.455
2007-08B	3.750	3.451
2008-09A	3.500	3.469

6. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Land	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	627,261	-	(284,614)	911,875
Improvements other than buildings	435,299	10,250	281,615	163,934
Furniture and equipment	552,131	-	2,999	549,132
Total capital assets being deprec.	<u>1,614,691</u>	<u>10,250</u>	<u>-</u>	<u>1,624,941</u>
Less accumulated depreciation for:				
Buildings	549,397	16,727	(29,117)	595,241
Improvements other than buildings	158,654	3,289	29,117	132,826
Furniture and equipment	379,725	36,817	-	416,542
Total accumulated depreciation	<u>1,087,776</u>	<u>56,833</u>	<u>-</u>	<u>1,144,609</u>
Total capital assets being depreciated, net	<u>526,915</u>	<u>(46,583)</u>	<u>-</u>	<u>480,332</u>
Governmental activities capital assets, net	<u><u>531,915</u></u>	<u><u>(46,583)</u></u>	<u><u>-</u></u>	<u><u>485,332</u></u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	105,839	2,915	-	108,754
Less accumulated depreciation	<u>89,167</u>	<u>988</u>	<u>-</u>	<u>90,155</u>
Business type activities capital assets, net	<u>16,672</u>	<u>1,927</u>	<u>-</u>	<u>18,599</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,314
Support services:	
Transportation	28,503
	<u>36,817</u>
Unallocated depreciation	<u>20,016</u>
Total depreciation expense – governmental activities	<u>56,833</u>
Business type activities:	
Food services	<u>988</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Local Option Sales and Services					
Tax Revenue Bonds	50,000	-	50,000	-	-
Capital loan notes	10,113	-	10,113	-	-
Capital leases	109,907	-	16,739	93,168	17,585
Termination benefits	28,166	-	17,993	10,173	7,435
Total	<u>198,186</u>	<u>-</u>	<u>94,845</u>	<u>103,341</u>	<u>25,020</u>

Termination Benefits

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

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

At June 30, 2008, the District has obligations to one participant with a total liability of \$10,173. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$17,993.

Capital Leases

The District has leased buses under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2008.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2009	22,291
	2010	79,400
Minimum Lease Payments		<u>101,691</u>
Less Amount Representing Interest		<u>8,523</u>
Present Value of Minimum Lease Payments		<u>93,168</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% 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, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$67,601, \$63,307, and \$62,796 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$70,247 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.

11. Deficit Fund Balances

At June 30, 2008 the Enterprise Daycare Fund had a deficit net assets balance of \$44,483.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,925,058	83,918	2,008,976	2,010,031	2,010,031	(1,055)
Intermediate sources	-	-	-	180	180	(180)
State sources	753,438	864	754,302	879,412	879,412	(125,110)
Federal sources	63,932	41,748	105,680	249,062	249,062	(143,382)
Total revenues	<u>2,742,428</u>	<u>126,530</u>	<u>2,868,958</u>	<u>3,138,685</u>	<u>3,138,685</u>	<u>(269,727)</u>
Expenditures/Expenses:						
Instruction	1,627,752	-	1,627,752	1,944,723	1,944,723	316,971
Support services	768,503	-	768,503	913,190	913,190	144,687
Non-instructional programs	-	154,104	154,104	87,000	87,000	(67,104)
Other expenditures	159,754	-	159,754	260,973	260,973	101,219
Total expenditures/expenses	<u>2,556,009</u>	<u>154,104</u>	<u>2,710,113</u>	<u>3,205,886</u>	<u>3,205,886</u>	<u>495,773</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	186,419	(27,574)	158,845	(67,201)	(67,201)	226,046
Other financing sources (uses) net	<u>(567)</u>	<u>9,099</u>	<u>8,532</u>	<u>57,438</u>	<u>57,438</u>	<u>(48,906)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	185,852	(18,475)	167,377	(9,763)	(9,763)	177,140
Balance beginning of year	<u>155,676</u>	<u>(1,673)</u>	<u>154,003</u>	<u>145,270</u>	<u>145,270</u>	<u>8,733</u>
Balance end of year	<u><u>341,528</u></u>	<u><u>(20,148)</u></u>	<u><u>321,380</u></u>	<u><u>135,507</u></u>	<u><u>135,507</u></u>	<u><u>185,873</u></u>

TWIN RIVERS 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted, and the District exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment	Capital Projects Fund	
	\$	\$	\$	\$	
Cash and pooled investments	47,289	15,001	36,589	213,204	312,083
Receivables:					
Property tax:					
Delinquent	1,023	-	517	-	1,540
Succeeding year	50,000	-	26,800	-	76,800
Due from other governments	-	-	-	19,108	19,108
Total assets	98,312	15,001	63,906	232,312	409,531
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	26	-	-	26
Deferred revenue:					
Succeeding year property tax	50,000	-	26,800	-	76,800
Total liabilities	50,000	26	26,800	-	76,826
Fund balances:					
Unreserved fund balance reported in:					
Special Revenue Funds	48,312	14,975	37,106	-	100,393
Capital Projects Fund	-	-	-	232,312	232,312
Total fund balances	48,312	14,975	37,106	232,312	332,705
Total liabilities and fund balances	98,312	15,001	63,906	232,312	409,531

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
	\$	\$	Equipment	Fund	\$	\$
	\$	\$	Levy	Fund	\$	\$
Revenues:						
Local sources:						
Local tax	49,906	-	25,212	130,497	-	205,615
Other	6,828	72,113	7,613	695	-	87,249
State sources	32	-	16	-	-	48
Total revenues	<u>56,766</u>	<u>72,113</u>	<u>32,841</u>	<u>131,192</u>	<u>-</u>	<u>292,912</u>
Expenditures:						
Current:						
Instruction:						
Regular	18,189	-	-	-	-	18,189
Other	-	73,831	-	-	-	73,831
Support services:						
Student	504	-	-	-	-	504
Operation and maintenance of plant	47,090	-	790	-	-	47,880
Other expenditures:						
Facilities acquisition	-	-	2,375	2,826	-	5,201
Long-term debt:						
Principal	-	-	-	-	76,852	76,852
Interest and fiscal charges	-	-	-	-	7,454	7,454
Total expenditures	<u>65,783</u>	<u>73,831</u>	<u>3,165</u>	<u>2,826</u>	<u>84,306</u>	<u>229,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,017)</u>	<u>(1,718)</u>	<u>29,676</u>	<u>128,366</u>	<u>(84,306)</u>	<u>63,001</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	84,306	84,306
Operating transfers out	-	-	(10,562)	(51,454)	-	(62,016)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,562)</u>	<u>(51,454)</u>	<u>84,306</u>	<u>22,290</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(9,017)</u>	<u>(1,718)</u>	<u>19,114</u>	<u>76,912</u>	<u>-</u>	<u>85,291</u>
Fund balances beginning of year	<u>57,329</u>	<u>16,693</u>	<u>17,992</u>	<u>155,400</u>	<u>-</u>	<u>247,414</u>
Fund balances end of year	<u><u>48,312</u></u>	<u><u>14,975</u></u>	<u><u>37,106</u></u>	<u><u>232,312</u></u>	<u><u>-</u></u>	<u><u>332,705</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	<u>Nonmajor Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and cash equivalents	1,881	-	1,881
Accounts receivable	2,244	596	2,840
Inventories	1,611	-	1,611
Capital assets, net of accumulated depreciation	18,599	-	18,599
	<u>24,335</u>	<u>596</u>	<u>24,931</u>
Total assets			
Liabilities			
Interfund payable	-	45,079	45,079
	<u>-</u>	<u>45,079</u>	<u>45,079</u>
Net assets			
Invested in capital assets, net of related debt	18,599	-	18,599
Unrestricted	5,736	(44,483)	(38,747)
	<u>24,335</u>	<u>(44,483)</u>	<u>(20,148)</u>
Total net assets			

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	39,965	43,897	83,862
Operating expenses:			
Non-instructional programs:			
Salaries	24,553	48,183	72,736
Benefits	3,362	5,590	8,952
Purchased services	1,614	1,572	3,186
Supplies	48,719	10,523	59,242
Depreciation	988	-	988
Other	-	9,000	9,000
Total operating expenses	79,236	74,868	154,104
Operating gain (loss)	(39,271)	(30,971)	(70,242)
Non-operating revenues:			
State sources	864	-	864
Federal sources	32,836	8,912	41,748
Donations	-	1,099	1,099
Interest income	56	-	56
Total non-operating revenues	33,756	10,011	43,767
Gain (loss) before transfers	(5,515)	(20,960)	(26,475)
Transfers in	8,000	-	8,000
Change in net assets	2,485	(20,960)	(18,475)
Net assets beginning of year	21,850	(23,523)	(1,673)
Net assets end of year	24,335	(44,483)	(20,148)

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds		
	School Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	36,444	-	36,444
Cash received from daycare services	-	43,897	43,897
Cash payments to employees for services	(27,915)	(53,773)	(81,688)
Cash payments to suppliers for goods or services	(43,987)	(21,095)	(65,082)
Net cash used by operating activities	<u>(35,458)</u>	<u>(30,971)</u>	<u>(66,429)</u>
Cash flows from non-capital financing activities:			
Operating transfers	8,000	-	8,000
Donations	-	1,099	1,099
State grants received	864	-	864
Federal grants received	26,912	8,576	35,488
Net cash provided by non-capital financing activities	<u>35,776</u>	<u>9,675</u>	<u>45,451</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,915)	-	(2,915)
Interfund loans	-	21,296	21,296
Net cash used by capital and related financing activities	<u>(2,915)</u>	<u>21,296</u>	<u>18,381</u>
Cash flows from investing activities:			
Interest on investments	56	-	56
Net increase (decrease) in cash and cash equivalents	(2,541)	-	(2,541)
Cash and cash equivalents at beginning of year	4,422	-	4,422
Cash and cash equivalents at end of year	<u>1,881</u>	<u>-</u>	<u>1,881</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(39,271)	(30,971)	(70,242)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	5,924	-	5,924
Depreciation	988	-	988
Decrease (increase) in inventories	422	-	422
Decrease (increase) in accounts receivable	(2,244)	-	(2,244)
(Decrease) increase in deferred revenue	(1,277)	-	(1,277)
Net cash used by operating activities	<u>(35,458)</u>	<u>(30,971)</u>	<u>(66,429)</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Athletics	(12,311)	35,347	37,893	4	(14,853)
Elementary spirit	204	1,303	1,315	(1)	191
High school spirit	5,540	7,935	7,406	(36)	6,033
Student council	687	1,217	1,629	(1)	274
Drill team	5,462	6,579	6,970	94	5,165
Spanish club	1,228	10	-	(1)	1,237
Pep club	(27)	835	1,040	(1)	(233)
National Honor Society	94	10	24	(1)	79
Technology club	143	-	-	-	143
Renaissance	337	10	35	(1)	311
Speech/Drama	1,982	1,700	1,686	(1)	1,995
Red, white, blue crew	-	5,704	4,042	-	1,662
Student pictures	21	-	-	-	21
Class of 2012	51	-	51	-	-
Class of 2003	624	-	624	-	-
Class of 2005	152	-	-	-	152
Class of 2006	380	-	380	-	-
Class of 2007	572	2	573	(1)	-
Class of 2008	1,126	1,367	2,208	208	493
Class of 2009	1,298	2,795	2,817	(629)	647
Class of 2010	487	2,306	1,450	(1)	1,342
Class of 2011	-	508	23	-	485
French club	161	10	-	(1)	170
Yearbook	9,462	4,475	4,619	369	9,687
Ending accrual entries	(980)	-	(954)	-	(26)
Totals	<u>16,693</u>	<u>72,113</u>	<u>73,831</u>	<u>-</u>	<u>14,975</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,450,158	1,266,904	1,262,332	1,194,481
Tuition	267,517	264,904	271,106	274,671
Other	207,383	261,665	211,712	213,457
State sources	753,438	701,089	697,987	673,656
Federal sources	63,932	113,519	187,679	174,996
Total revenues	<u>2,742,428</u>	<u>2,608,081</u>	<u>2,630,816</u>	<u>2,531,261</u>
Expenditures:				
Instruction:				
Regular instruction	1,142,898	993,642	1,142,748	1,040,414
Special instruction	174,698	230,135	251,049	310,666
Other instruction	310,156	406,360	304,217	309,882
Support services:				
Student services	25,545	57,376	24,309	85,231
Instructional staff services	102,398	106,626	129,070	28,366
Administration services	367,227	344,898	369,144	375,184
Operation and maintenance of plant	194,587	207,671	245,557	256,474
Transportation services	78,746	210,387	136,270	78,313
Non-instructional programs	-	-	-	260
Other expenditures:				
Facilities acquisition	5,201	41,559	228,534	44,625
Long-term debt:				
Principal	76,852	143,284	73,417	22,335
Interest and other charges	7,454	4,133	9,817	5,883
AEA flowthrough	70,247	68,762	66,796	66,506
Total expenditures	<u>2,556,009</u>	<u>2,814,833</u>	<u>2,980,928</u>	<u>2,624,139</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Twin Rivers Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 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 Twin Rivers Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Twin Rivers Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Rivers Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B and 08-I-C are material weaknesses.

Compliance and Other Matters

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

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

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

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

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

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

April 30, 2009

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

08-I-C Signature Stamp: The board has authorized the superintendent to sign checks when the board president is not available. A stamp is used for the superintendent's signature. The board secretary, the other co-signer of the checks has access to the superintendent's signature stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements (continued):

Recommendation: We recommend that this practice cease. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08- II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the non-instructional programs functional area. The District also exceeded its unspent authorized budget for the year ended June 30, 2008 by approximately \$71,000.

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

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

Conclusion: Response accepted.

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

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

08-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sharon Berte-board member	Substitute teacher	\$ 1,255
David Halsrud-husband of board secretary	Substitute custodian/bus driver	5,470
Halsrud Electric-owned by board secretary's son	Repairs/truck rental	564

The transaction with the board member does not appear to represent a conflict of interest since the dollar amount was less than \$2,500.

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction with the spouse and/or son of the District Secretary do not appear to represent a conflict of interest.

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500.

District Response: We are aware of the conflict of interest rules.

Conclusion: Response accepted.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2008

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

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

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

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

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

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

08-II-J Financial Condition: The District has a deficit fund balance in the Enterprise Child Care Fund of \$44,483 and a few accounts with deficit balances in the Student Activity Fund.

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

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

Conclusion: Response accepted.