

TRI-CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2009

Contents

Officials		<u>Page</u> 1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Statement of Changes in Fiduciary Net Assets	K	24
Notes to Financial Statements		25-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	39
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	41
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 <u>Government Auditing Standards</u>		42-43
Schedule of Findings		44-48

Tri-Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Randy Morriss	President	2011
Duane Barrier	Vice President	2009
Mike Pettit	Board Member	2011
Mike Eikenberry	Board Member	2009
Kim Sullivan	Board Member	2008
Board of Education (After September 2008 Election)		
Duane Barrier	President	2009
Mike Eikenberry	Vice President	2009
Randy Morriss	Board Member	2011*
Mike Pettit	Board Member	2011*
Rob Larsen	Board Member	2011*
School Officials		
Brett Nanninga	Superintendent	2009
Rhonda McKenzie	Board Secretary	2009
Scott Rogers, Peters Law Firm	Attorney	2009
Brett Nitzschke, Gruhn Law Firm	Attorney	2009
Elizabeth Grob, Ahlers & Cooney, P.C.	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Center Community School District, Neola, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2010 on our consideration of Tri-Center Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,813,000 in fiscal 2008 to \$7,253,854 in fiscal 2009, while General Fund expenditures increased from \$6,667,398 in fiscal 2008 to \$6,797,673 in fiscal 2009. This resulted in an increase in the District's General Fund balance from a deficit balance of \$24,533 in fiscal 2008 to a balance of \$431,648 in fiscal 2009, a 1859.476% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2009. The increase in expenditures was due primarily to increases in salaries and benefits. The increase in the General Fund balance was due to the increase in revenues being larger than the increase in expenses from the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to 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 governmental funds.

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

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

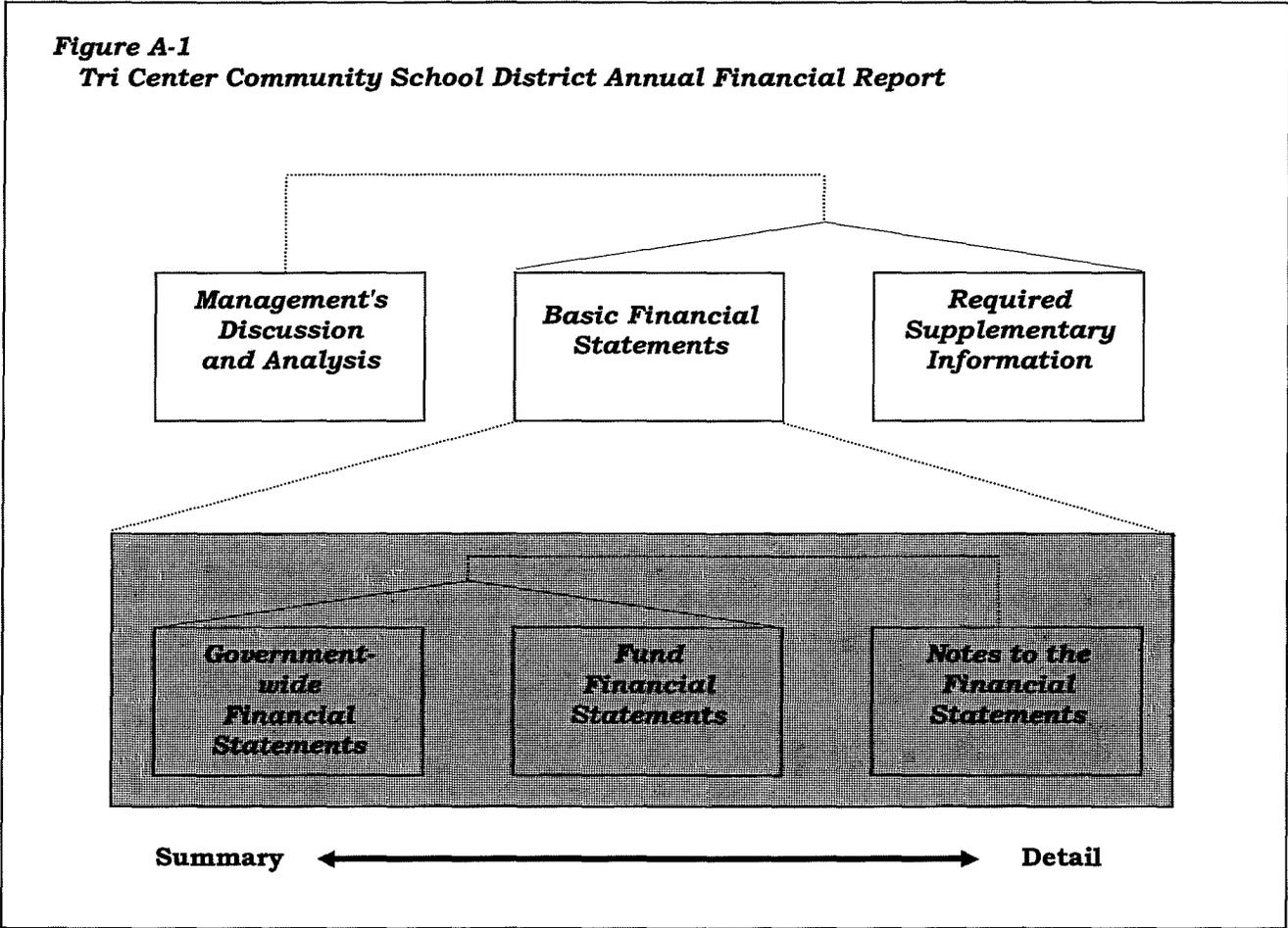


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a statement of net 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. These funds include Private-Purpose Trust funds.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net 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, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 5,374,172	4,799,592	60,524	38,690	5,434,696	4,838,282	12.33%
Capital assets	5,268,379	5,197,032	40,293	47,064	5,308,672	5,244,096	1.23%
Total assets	10,642,551	9,996,624	100,817	85,754	10,743,368	10,082,378	6.56%
Long-term liabilities	1,443,443	1,845,000	0	0	1,443,443	1,845,000	21.76%
Other liabilities	4,562,059	4,224,815	23,037	27,642	4,585,096	4,252,457	7.82%
Total liabilities	6,005,502	6,069,815	23,037	27,642	6,028,539	6,097,457	-1.13%
Net assets:							
Invested in capital assets, net of related debt	3,873,379	3,577,032	40,293	47,064	3,913,672	3,624,096	7.99%
Restricted	213,700	289,337	0	0	213,700	289,337	-26.14%
Unrestricted	549,970	60,440	37,487	11,048	587,457	71,488	721.76%
Total net assets	\$ 4,637,049	3,926,809	77,780	58,112	4,714,829	3,984,921	18.32%

The District's combined net assets increased by 18.32%, or \$729,908, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$75,637, or 26.14% from the prior year. The decrease was due primarily to the decrease in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$515,969, or 721.76%. This increase in unrestricted net assets was primarily a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Revenues:							
Program revenues:							
Charges for services	\$ 751,245	973,422	267,810	233,474	1,019,055	1,206,896	-15.56%
Operating grants and contributions and restricted interest	1,124,734	767,283	126,442	115,483	1,251,176	882,766	41.73%
General revenues:							
Property tax	2,483,415	2,424,977	0	0	2,483,415	2,424,977	2.41%
Income surtax	261,123	0	0	0	261,123	0	100.00%
Statewide sales and services tax	553,539	535,787	0	0	553,539	535,787	3.31%
Unrestricted state grants	3,024,265	3,361,272	0	0	3,024,265	3,361,272	-10.03%
Unrestricted investment earnings	48,905	49,256	231	226	49,136	49,482	-0.70%
Other	169,953	24,641	0	0	169,953	24,641	589.72%
Transfers	0	(1,423)	0	1,423	0	0	0.00%
Total revenues and transfers	8,417,179	8,135,215	394,483	350,606	8,811,662	8,485,821	3.84%
Program expenses:							
Governmental activities:							
Instructional	4,595,328	4,402,646	0	0	4,595,328	4,402,646	4.38%
Support services	2,509,765	2,501,437	0	0	2,509,765	2,501,437	0.33%
Non-instructional programs	6,466	6,564	374,815	378,737	381,281	385,301	-1.04%
Other expenses	595,380	559,667	0	0	595,380	559,667	6.38%
Total expenses	7,706,939	7,470,314	374,815	378,737	8,081,754	7,849,051	2.96%
Change in net assets	710,240	664,901	19,668	(28,131)	729,908	636,770	14.63%
Beginning net assets	3,926,809	3,261,908	58,112	86,243	3,984,921	3,348,151	19.02%
Ending net assets	\$ 4,637,049	3,926,809	77,780	58,112	4,714,829	3,984,921	18.32%

In fiscal 2009, property tax, income surtax, local option sales and services tax, and unrestricted state grants account for 75.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business type activities.

The District's total revenues were approximately \$8.81 million of which \$8.42 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.84% increase in revenues and a 2.96% increase in expenses. Property tax increased \$58,438 and statewide sales and services tax increased \$17,752 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$8,417,179 and expenses were \$7,706,939 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,595,328	4,402,646	4.38%	2,985,979	2,922,106	2.19%
Support services	2,509,765	2,501,437	0.33%	2,506,510	2,498,202	0.33%
Non-instructional programs	6,466	6,564	-1.49%	6,466	6,564	-1.49%
Other expenses	595,380	559,667	6.38%	332,005	302,737	9.67%
Totals	\$ 7,706,939	7,470,314	3.17%	5,830,960	5,729,609	1.77%

For the year ended June 30, 2009

- The cost financed by users of the District's programs was \$751,245.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,124,734.
- The net cost of governmental activities was financed with \$2,483,415 in property tax, \$261,123 in income surtax, \$553,539 in statewide sales and services tax, \$3,024,265 in unrestricted state grants \$48,905 in interest income, and \$169,953 in other general revenues.

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2009 were \$394,483 representing a 12.51% increase over the prior year, while expenses were \$374,815, a 1.04% decrease from the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$600,233, well above last year's ending fund balances of \$174,796. However, the primary reason for the increase in combined fund balances at the end of fiscal 2009 is due to the increase in the General Fund balance of \$456,181.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in local and federal sources increased significantly from fiscal 2008. The increase in revenues combined with the decrease in expenditures contributed the increase in the District's General Fund.
- The Capital Projects Fund balance decreased from \$129,521 in fiscal 2008 to \$80,980 in fiscal 2009. This decrease was primarily a result of the increase in expenditures being greater than the increase in revenues during the year.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$5,455 in fiscal 2008 to a balance of \$2,403 in fiscal 2009. This increase was due to the increase in local revenues from the prior year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$58,112 at June 30, 2008 to \$77,780 at June 30, 2009, representing an increase of 33.84%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$54,511 less than budgeted revenues, a variance of 1.13%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$5,308,672, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.23% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$344,922.

The original cost of the District's capital assets was approximately \$9.34 million. Governmental funds account for approximately \$9.25 million, with the remainder of approximately \$0.09 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$193,377 reported at June 30, 2008. This significant increase resulted from the Middle School addition and renovation project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 12,669	12,669	0	0	12,669	12,669	0.00%
Construction in progress	193,377	0	0	0	193,377	0	100.00%
Buildings	3,361,662	3,464,298	0	0	3,361,662	3,464,298	-3.05%
Land improvements	945,535	1,007,272	0	0	945,535	1,007,272	-6.53%
Machinery and equipment	755,136	712,793	40,293	47,064	795,429	759,857	4.47%
Total	\$ 5,268,379	5,197,032	40,293	47,064	5,308,672	5,244,096	1.23%

Long-Term Debt

At June 30, 2009, the District had \$1,443,443 in total long-term debt outstanding. This represents a decrease of 10.90% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,130,000 at June 30, 2009.

The District had outstanding revenue bonds of \$265,000 at June 30, 2009.

The District had early retirement benefits payable of \$48,443 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 1,130,000	1,295,000	-12.74%
Revenue bonds	265,000	325,000	-18.46%
Early Retirement	48,443	0	100.00%
Totals	\$ 1,443,443	1,620,000	-10.90%

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:

-
- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
 - The District's certified enrollment decreased by 10.9 students in the fall of 2008 to 724.6. Under Iowa's school funding formula, the district's funding is highly dependent upon the student enrollment and future enrollment stability is critical.
 - The teachers union bargaining increase was 5% and the insurance costs increase was 5.25%.
 - The District increased its Management levy to pay for increased costs of liability insurance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 1,235,767	0	1,235,767
Other	1,106,188	33,073	1,139,261
Receivables:			
Property tax:			
Delinquent	42,165	0	42,165
Succeeding year	2,499,997	0	2,499,997
Income surtax	215,060	0	215,060
Accounts	7,551	106	7,657
Accrued ISCAP interest	4,742	0	4,742
Due from other governments	262,702	0	262,702
Inventories	0	27,345	27,345
Capital assets, net of accumulated depreciation	5,268,379	40,293	5,308,672
TOTAL ASSETS	10,642,551	100,817	10,743,368
LIABILITIES			
Accounts payable	165,209	0	165,209
Salaries and benefits payable	632,767	17,730	650,497
ISCAP warrants payable	1,218,000	0	1,218,000
ISCAP accrued interest payable	3,849	0	3,849
ISCAP unamortized premium	19,320	0	19,320
Accrued interest payable	3,180	0	3,180
Deferred revenue:			
Succeeding year property tax	2,499,997	0	2,499,997
Other	19,737	0	19,737
Unearned Revenue	0	5,307	5,307
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	170,000	0	170,000
Revenue bonds payable	65,000	0	65,000
Early retirement payable	24,221	0	24,221
Portion due after one year:			
General obligation bonds payable	960,000	0	960,000
Revenue bonds payable	200,000	0	200,000
Early retirement payable	24,222	0	24,222
TOTAL LIABILITIES	6,005,502	23,037	6,028,539
NET ASSETS			
Invested in capital assets, net of related debt	3,873,379	40,293	3,913,672
Restricted for:			
Categorical funding	93,558	0	93,558
Capital Projects	80,980	0	80,980
Management levy	4,714	0	4,714
Physical plant and equipment levy	2,403	0	2,403
Other special revenue purposes	29,052	0	29,052
Debt service	2,993	0	2,993
Unrestricted	549,970	37,487	587,457
TOTAL NET ASSETS	\$ 4,637,049	77,780	4,714,829

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,958,393	544,425	787,316	(2,626,652)	0	(2,626,652)
Special instruction	33,218	74,687	36,157	77,626	0	77,626
Other instruction	603,717	132,133	34,631	(436,953)	0	(436,953)
	<u>4,595,328</u>	<u>751,245</u>	<u>858,104</u>	<u>(2,985,979)</u>	<u>0</u>	<u>(2,985,979)</u>
Support services:						
Student	222,809	0	0	(222,809)	0	(222,809)
Instructional staff	169,332	0	0	(169,332)	0	(169,332)
Administration	805,220	0	0	(805,220)	0	(805,220)
Operation and maintenance of plant	748,331	0	0	(748,331)	0	(748,331)
Transportation	564,073	0	3,255	(560,818)	0	(560,818)
	<u>2,509,765</u>	<u>0</u>	<u>3,255</u>	<u>(2,506,510)</u>	<u>0</u>	<u>(2,506,510)</u>
Non-instructional programs:						
Food service programs	4,403	0	0	(4,403)	0	(4,403)
Community service operations	2,063	0	0	(2,063)	0	(2,063)
	<u>6,466</u>	<u>0</u>	<u>0</u>	<u>(6,466)</u>	<u>0</u>	<u>(6,466)</u>
Other expenditures:						
Facilities acquisitions	79,464	0	0	(79,464)	0	(79,464)
Long-term debt interest	69,408	0	0	(69,408)	0	(69,408)
AEA flowthrough	263,375	0	263,375	0	0	0
Depreciation (unallocated)*	183,133	0	0	(183,133)	0	(183,133)
	<u>595,380</u>	<u>0</u>	<u>263,375</u>	<u>(332,005)</u>	<u>0</u>	<u>(332,005)</u>
Total governmental activities	<u>7,706,939</u>	<u>751,245</u>	<u>1,124,734</u>	<u>(5,830,960)</u>	<u>0</u>	<u>(5,830,960)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	374,815	267,810	126,442	0	19,437	19,437
Total	<u>\$ 8,081,754</u>	<u>1,019,055</u>	<u>1,251,176</u>	<u>(5,830,960)</u>	<u>19,437</u>	<u>(5,811,523)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 2,322,385	0	2,322,385
Capital outlay				52,799	0	52,799
Debt service				108,231	0	108,231
Income surtax				261,123	0	261,123
Statewide sales and services				553,539	0	553,539
Unrestricted state grants				3,024,265	0	3,024,265
Unrestricted investment earnings				48,905	231	49,136
Other				169,953	0	169,953
Total general revenues				<u>6,541,200</u>	<u>231</u>	<u>6,541,431</u>
Changes in net assets				710,240	19,668	729,908
Net assets beginning of year				<u>3,926,809</u>	<u>58,112</u>	<u>3,984,921</u>
Net assets end of year				<u>\$ 4,637,049</u>	<u>77,780</u>	<u>4,714,829</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 1,235,767	0	1,235,767
Other	1,022,797	83,391	1,106,188
Receivables:			
Property tax:			
Delinquent	37,945	4,220	42,165
Succeeding year	2,291,599	208,398	2,499,997
Income surtax	215,060	0	215,060
Accounts	7,551	0	7,551
Accrued ISCAP interest	4,742	0	4,742
Due from other governments	128,928	133,774	262,702
TOTAL ASSETS	\$ 4,944,389	429,783	5,374,172
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 112,409	52,800	165,209
Salaries and benefits payable	632,767	0	632,767
ISCAP warrants payable	1,218,000	0	1,218,000
ISCAP accrued interest payable	3,849	0	3,849
ISCAP unamortized premium	19,320	0	19,320
Deferred revenue:			
Succeeding year property tax	2,291,599	208,398	2,499,997
Income surtax	215,060	0	215,060
Other	19,737	0	19,737
Total liabilities	4,512,741	261,198	4,773,939
Fund balances:			
Reserved for:			
Categorical Funding	93,558	0	93,558
Debt service	0	2,993	2,993
Unreserved	338,090	165,592	503,682
Total fund balances	431,648	168,585	600,233
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,944,389	429,783	5,374,172

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds(page 16)	\$	600,233
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,268,379
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		215,060
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.		(3,180)
Long-term liabilities, including general obligation bonds revenue bonds, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,443,443)</u>
Net assets of governmental activites(page 14)	\$	<u><u>4,637,049</u></u>

TRI-CENTER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,457,080	804,525	3,261,605
Tuition	597,224	0	597,224
Other	184,232	322,328	506,560
State sources	3,794,638	0	3,794,638
Federal sources	220,280	0	220,280
Total revenues	<u>7,253,454</u>	<u>1,126,853</u>	<u>8,380,307</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	3,889,930	9,907	3,899,837
Special	48,258	0	48,258
Other	307,994	286,815	594,809
	<u>4,246,182</u>	<u>296,722</u>	<u>4,542,904</u>
Support services:			
Student	222,809	0	222,809
Instructional staff	150,760	0	150,760
Administration	764,119	31,725	795,844
Operation and maintenance of plant	692,852	38,998	731,850
Transportation	455,513	108,907	564,420
	<u>2,286,053</u>	<u>179,630</u>	<u>2,465,683</u>
Non-instructional programs:			
Food service programs	0	4,403	4,403
Community service operations	2,063	0	2,063
	<u>2,063</u>	<u>4,403</u>	<u>6,466</u>
Other expenditures:			
Facilities acquisitions	0	382,007	382,007
Long-term debt:			
Principal	0	225,000	225,000
Interest and fiscal charges	0	69,835	69,835
AEA flowthrough	263,375	0	263,375
	<u>263,375</u>	<u>676,842</u>	<u>940,217</u>
Total expenditures	<u>6,797,673</u>	<u>1,157,597</u>	<u>7,955,270</u>
Excess (deficiency) of revenues over (under) expenditures	455,781	(30,744)	425,037
Other financing sources (uses):			
Transfers in	0	172,685	172,685
Transfers out	0	(172,685)	(172,685)
Proceeds from the disposal of equipment	400	0	400
Total other financing uses	<u>400</u>	<u>0</u>	<u>400</u>
Net change in fund balances	456,181	(30,744)	425,437
Fund balance beginning of year	(24,533)	199,329	174,796
Fund balance end of year	<u>\$ 431,648</u>	<u>168,585</u>	<u>600,233</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 425,437

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

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

Capital outlays	\$ 422,231	
Depreciation expense	(338,151)	
Loss on disposal	(12,733)	71,347

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 225,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 36,472

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. 427

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement		(48,443)

Changes in net assets of governmental activities (page 15) \$ 710,240

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 33,073
Accounts receivable	106
Inventories	27,345
Capital assets, net of accumulated depreciation	<u>40,293</u>
TOTAL ASSETS	<u>100,817</u>
LIABILITIES	
Salaries and benefits payable	17,730
Unearned revenue	<u>5,307</u>
TOTAL LIABILITIES	<u>23,037</u>
NET ASSETS	
Invested in capital assets	40,293
Unrestricted	<u>37,487</u>
TOTAL NET ASSETS	<u>\$ 77,780</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Operating Revenues:	
Local sources:	
Charges for services	<u>\$ 267,810</u>
Operating Expenses:	
Non-instructional programs:	
Salaries	158,513
Benefits	31,171
Services	170
Supplies	178,190
Depreciation	6,771
Total operating expenses	<u>374,815</u>
Operating Loss	<u>(107,005)</u>
Non-operating Revenues:	
State sources	4,193
Federal sources	122,249
Interest on investments	231
Total non-operating revenues	<u>126,673</u>
Net gain	19,668
Net assets beginning of year	<u>58,112</u>
Net assets end of year	<u>\$ 77,780</u>

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 267,636
Cash received from miscellaneous	120
Cash payments to employees for services	(194,195)
Cash payments to suppliers for goods or services	(150,933)
Net cash used in operating activities	<u>(77,372)</u>
Cash flows from non-capital financing activities:	
State grants received	4,193
Federal grants received	93,921
Net cash provided by non-capital financing activities	<u>98,114</u>
Cash flows from investing activities:	
Interest on investments	<u>231</u>
Net increase in cash and cash equivalents	20,973
Cash and cash equivalents at beginning of year	<u>12,100</u>
Cash and cash equivalents at end of year	<u>\$ 33,073</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (107,005)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,328
Depreciation	6,771
Increase in inventories	(901)
Decrease in accounts receivable	40
Decrease in salaries and benefits payable	(4,511)
Decrease in deferred revenue	(94)
Net cash used in operating activities	<u>\$ (77,372)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 33,073</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$28,328.

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 42,633
Liabilities	
Total liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 42,633</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 1,581
Deductions:	
Instruction:	
Scholarships awarded	2,150
Change in net assets	(569)
Net assets beginning of year	43,202
Net assets end of year	\$ 42,633

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets 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 other non-major governmental funds.

The District reports the following major governmental funds:

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

The District reports the following major proprietary fund.

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

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

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

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

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

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 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.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 172,685</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 510,462	4,652	504,000	3,796
2009-10A	6/25/09	6/23/10	725,305	90	714,000	53
Total			\$ 1,235,767	4,742	1,218,000	3,849

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 that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity during the year ended June 30, 2009, is the following:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	350,000	350,000	0
2008-09B	0	75,000	75,000	0
Total	\$ 0	425,000	425,000	0

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	0.542%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	0	0	12,669
Construction in progress	0	193,377	0	193,377
Total capital assets not being depreciated	<u>12,669</u>	<u>193,377</u>	<u>0</u>	<u>206,046</u>
Capital assets being depreciated:				
Buildings	5,644,417	10,792	0	5,655,209
Land improvements	1,387,226	7,968	0	1,395,194
Machinery and equipment	1,825,106	210,094	40,100	1,995,100
Total capital assets being depreciated	<u>8,856,749</u>	<u>228,854</u>	<u>40,100</u>	<u>9,045,503</u>
Less accumulated depreciation for:				
Buildings	2,180,119	113,428	0	2,293,547
Land improvements	379,954	69,705	0	449,659
Machinery and equipment	1,112,313	155,018	27,367	1,239,964
Total accumulated depreciation	<u>3,672,386</u>	<u>338,151</u>	<u>27,367</u>	<u>3,983,170</u>
Total capital assets being depreciated, net	<u>5,184,363</u>	<u>(109,297)</u>	<u>12,733</u>	<u>5,062,333</u>
Governmental activities capital assets, net	<u>\$ 5,197,032</u>	<u>84,080</u>	<u>12,733</u>	<u>5,268,379</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 94,295	0	0	94,295
Less accumulated depreciation	47,231	6,771	0	54,002
Business type activities capital assets, net	<u>\$ 47,064</u>	<u>(6,771)</u>	<u>0</u>	<u>40,293</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 20,314
Other		14,808
Support services:		
Instructional staff		20,716
Administration		9,376
Operation and maintenance of plant		10,277
Transportation		79,527
		<u>155,018</u>
Unallocated depreciation		183,133
Total governmental activities depreciation expense		<u>\$ 338,151</u>
Business type activities:		
Food service operations		<u>\$ 6,771</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,295,000	0	165,000	1,130,000	170,000
Revenue bonds	325,000	0	60,000	265,000	65,000
Early Retirement	0	48,443	0	48,443	24,221
Total	\$ 1,620,000	48,443	225,000	1,443,443	259,221

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.85 %	\$ 170,000	38,165	208,165
2011	3.75	175,000	32,725	207,725
2012	3.85	185,000	27,125	212,125
2013	3.75	190,000	21,020	211,020
2014	3.85	200,000	14,560	214,560
2015	3.75	210,000	7,560	217,560
Total		\$ 1,130,000	141,155	1,271,155

Revenue Bonds Payable

Details of the District's June 30, 2009 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 29, 2007			
	Interest Rates	Principal	Interest	Total
2010	3.95 %	\$ 65,000	10,670	75,670
2011	4.00	65,000	8,103	73,103
2012	4.05	65,000	5,503	70,503
2013	4.10	70,000	2,870	72,870
Total		\$ 265,000	27,146	292,146

The District has pledged future local option (statewide) sales and Services tax revenues to repay the \$390,000 bonds issued in May 2007. The bonds were issued for the purpose of calling revenue bond anticipation notes. The bonds are payable solely from the proceeds of the local option sales and services received by the District and are payable through 2013. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected

to require nearly 14% of the local option (statewide) sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$292,146. For the current year, principal and interest was paid on the bonds of \$73,040 and the total local options sales and services tax revenues were \$553,539.

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

- a) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$268,420, \$254,287, and \$197,817, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$263,375 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

Talented and Gifted	\$	67,428
Professional Development		15,266
Core Curriculum		10,864
		<hr/>
Total	\$	93,558
		<hr/> <hr/>

REQUIRED SUPPLEMENTARY INFORMATION

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,365,389	268,041	4,633,430	4,548,480	4,548,480	84,950
State sources	3,794,638	4,193	3,798,831	3,932,821	3,932,821	(133,990)
Federal sources	220,280	122,249	342,529	348,000	348,000	(5,471)
Total revenues	<u>8,380,307</u>	<u>394,483</u>	<u>8,774,790</u>	<u>8,829,301</u>	<u>8,829,301</u>	<u>(54,511)</u>
Expenditures/Expenses:						
Instruction	4,542,904	0	4,542,904	4,786,821	4,786,821	243,917
Support services	2,465,683	0	2,465,683	3,092,675	3,092,675	626,992
Non-instructional programs	6,466	374,815	381,281	440,643	440,643	59,362
Other expenditures	940,217	0	940,217	980,431	980,431	40,214
Total expenditures/expenses	<u>7,955,270</u>	<u>374,815</u>	<u>8,330,085</u>	<u>9,300,570</u>	<u>9,300,570</u>	<u>970,485</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	425,037	19,668	444,705	(471,269)	(471,269)	915,974
Other financing sources, net	400	0	400	2,000	2,000	1,600
Excess(deficiency)of revenues over(under)expenditures/expenses	425,437	19,668	445,105	(469,269)	(469,269)	914,374
Balance beginning of year	174,796	58,112	232,908	469,269	469,269	236,361
Balance end of year	<u>\$ 600,233</u>	<u>77,780</u>	<u>678,013</u>	<u>0</u>	<u>0</u>	<u>678,013</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Non-major Governmental Funds
ASSETS							
Cash and pooled investments	\$ 51,628	29,052	1,521	82,201	6	1,184	83,391
Receivables:							
Property tax:							
Delinquent	1,529	0	882	2,411	0	1,809	4,220
Succeeding year	150,000	0	55,236	205,236	0	3,162	208,398
Due from other governments	0	0	0	0	133,774	0	133,774
TOTAL ASSETS	\$ 203,157	29,052	57,639	289,848	133,780	6,155	429,783
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payables	\$ 0	0	0	0	52,800	0	52,800
Deferred revenue:							
Succeeding year property tax	150,000	0	55,236	205,236	0	3,162	208,398
Total liabilities	150,000	0	55,236	205,236	52,800	3,162	261,198
Fund balances:							
Reserved for Debt Service	0	0	0	0	0	2,993	2,993
Unreserved	53,157	29,052	2,403	84,612	80,980	0	165,592
Total fund balances	53,157	29,052	2,403	84,612	80,980	2,993	168,585
TOTAL LIABILITIES AND FUND BALANCES	\$ 203,157	29,052	57,639	289,848	133,780	6,155	429,783

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue						Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 89,956	0	52,799	142,755	553,539	108,231	804,525
Other	30,629	290,195	59	320,883	1,006	439	322,328
TOTAL REVENUES	120,585	290,195	52,858	463,638	554,545	108,670	1,126,853
EXPENDITURES:							
Current:							
Instruction:							
Regular	9,907	0	0	9,907	0	0	9,907
Other	0	286,815	0	286,815	0	0	286,815
Support services:							
Administration	31,725	0	0	31,725	0	0	31,725
Operation and maintenance of plant	38,998	0	0	38,998	0	0	38,998
Transportation	29,033	0	45,000	74,033	34,874	0	108,907
Non-instructional programs:							
Food service operation	4,403	0	0	4,403	0	0	4,403
Other expenditures:							
Facilities acquisition	0	0	0	0	382,007	0	382,007
Long-term debt:							
Principal	0	0	0	0	0	225,000	225,000
Interest and fiscal charges	0	0	0	0	13,520	56,315	69,835
TOTAL EXPENDITURES	114,066	286,815	45,000	445,881	430,401	281,315	1,157,597
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,519	3,380	7,858	17,757	124,144	(172,645)	(30,744)
OTHER FINANCING SOURCES (USES):							
Transfer in	0	0	0	0	0	172,685	172,685
Transfer out	0	0	0	0	(172,685)	0	(172,685)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	(172,685)	172,685	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES	6,519	3,380	7,858	17,757	(48,541)	40	(203,429)
FUND BALANCE BEGINNING OF YEAR	46,638	25,672	(5,455)	66,855	129,521	2,953	199,329
FUND BALANCE END OF YEAR	\$ 53,157	29,052	2,403	84,612	80,980	2,993	168,585

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 558	1,883	1,671	770
Cross Country	26	1,576	1,566	36
Boys Basketball	2,936	7,695	9,743	888
Football	0	19,765	18,288	1,477
Soccer	59	6,917	6,900	76
Baseball	366	14,729	14,080	1,015
Boys Track	(1,904)	9,760	7,829	27
Golf	38	749	787	0
Wrestling	47	6,053	5,599	501
Girls Basketball	12	4,513	4,120	405
Volleyball	210	6,214	6,159	265
Summer Softball	492	4,071	3,511	1,052
Girls Track	343	4,002	4,183	162
Misc Athletics	(628)	6,087	4,051	1,408
General Activity	388	8,435	8,652	171
Class of 2010	0	15,207	13,621	1,586
Book Fair	165	4,584	3,623	1,126
Leadership	504	11,924	13,154	(726)
Class of 2009	2,575	2,001	4,576	0
Yearbook	5,694	10,082	10,832	4,944
Student Council-Persia	97	760	513	344
Student Council	15	11,649	12,418	(754)
Elementary Student Council	468	3,479	2,684	1,263
Musicals	2,791	11,437	10,312	3,916
Special Education Athletics	819	0	392	427
High School Cheerleaders	1,670	5,999	8,657	(988)
Drill Team	465	4,062	4,921	(394)
Elementary Art Club	1,661	3,202	3,007	1,856
National Honor Society	197	1,017	930	284
Astra	326	1,163	1,078	411
FFA	3,190	24,559	19,778	7,971
Vending	65	14,459	14,516	8
Music Boosters	132	7,026	7,158	0
Trojan Fit Club	230	1,210	1,318	122
Trip	1,665	52,837	54,502	0
Weights	0	1,089	1,686	(597)
Total	\$ 25,672	290,195	286,815	29,052

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,261,605	2,782,176	2,423,778	2,398,369	2,285,136	2,398,384
Tuition	597,224	645,367	536,115	498,842	526,330	471,937
Other	506,560	413,074	443,285	357,153	333,558	334,713
Intermediate sources	0	0	0	0	18,862	0
State sources	3,794,638	3,941,911	3,611,309	3,373,903	3,099,837	2,945,893
Federal sources	220,280	175,522	186,544	179,102	314,822	397,216
Total	<u>\$ 8,380,307</u>	<u>7,958,050</u>	<u>7,201,031</u>	<u>6,807,369</u>	<u>6,578,545</u>	<u>6,548,143</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,899,837	3,036,371	2,981,854	2,670,044	2,582,164	2,506,651
Special	48,258	683,419	632,454	600,306	695,169	606,173
Other	594,809	718,634	648,224	618,370	520,746	564,314
Support services:						
Student	222,809	237,700	223,160	221,364	215,521	272,872
Instructional staff	150,760	142,267	176,587	219,886	188,093	158,631
Administration	795,844	782,199	844,635	667,394	631,440	576,396
Operation and maintenance of plant	731,850	741,138	718,495	743,051	578,909	553,285
Transportation	564,420	490,226	527,941	535,955	386,175	418,434
Non-instructional programs	6,466	6,564	13,536	5,815	8,907	11,095
Other expenditures:						
Facilities acquisitions	382,007	442,003	159,016	934,601	240,274	168,144
Long-term debt:						
Principal	225,000	295,599	437,550	240,000	287,498	273,521
Interest and other charges	69,835	65,227	78,178	77,545	114,560	127,779
AEA flow-through	263,375	256,930	238,260	219,625	204,512	206,915
Total	<u>\$ 7,955,270</u>	<u>7,898,277</u>	<u>7,679,890</u>	<u>7,753,956</u>	<u>6,653,968</u>	<u>6,444,210</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

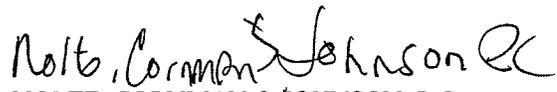
As part of obtaining reasonable assurance about whether Tri-Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 11, 2010

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We've made changes to the way money is receipted and will continue to make changes as we can.

Conclusion - Response accepted.

CONTROL DEFICIENCIES

I-B-09 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for all events that require an admission.

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

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

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Procedures a, c, d, f, g, h, i, and j are already in place and have been for years. Items b and e are not and we will look at implementing them in the future.

Conclusion - Response accepted.

- I-C-09 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - We will comply.

Conclusion - Response accepted.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of tuition out students on Line 3 was overstated by 1.0 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District has contacted the Department of Education and the Department of Management to correct the October 2008 certified enrollment.
- Conclusion - Response accepted.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June, 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			553,539
Expenditures/transfers out:			
School infrastructure:			
Buildings	\$	41,405	
Equipment		102,306	
Other improvements		273,170	
Debt service for school infrastructure:			
General obligation debt		77,925	
Revenue Debt		58,733	
			<u>553,539</u>
Ending balance		\$	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 0.36691	\$ 58,733

II-L-09 Deficit Balances - Five student activity accounts had deficit balances at June 30, 2009.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - We will work rectify this situation.

Conclusion - Response accepted.

II-M-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the Elementary Student Council and General Activity accounts in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The District writes various checks throughout the year for start up cash for change boxes at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

There is a General Activity account. We noted expenditures for PSAT testing in this account. These expenditures appear to be more instructional in nature and should be expended in the General Fund.

Response - We will comply.

Conclusion - Response accepted.

II-N-09 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

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

Response - We've started reviewing policies and this is an ongoing effort.

Conclusion - Response accepted.

II-O-09 Cell Phone Policy - We noted during our audit that the District does not have a policy in place for the procedures on the use of a District owned cell phone.

Recommendation - The District should review the policies in place and update the necessary cell phone policy.

Response - We will research and see about putting a policy in place.

Conclusion - Response accepted.