

TRI-CENTER COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	50
Capital Projects Funds:		
Combining Balance Sheet	4	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	53
Schedule of Expenditures of Federal Awards	7	54
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>		55-56
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		57-58
Schedule of Findings and Questioned Costs		59-63

Tri-Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Duane Barrier	President	2009
Mike Eikenberry	Vice President	2009
Mike Pettit	Board Member	2011
Randy Morriss	Board Member	2011
Rob Larsen	Board Member	2011
Board of Education (After September 2009 Election)		
Duane Barrier	President	2013
Mike Eikenberry	Vice President	2013
Randy Morriss	Board Member	2011
Mike Pettit	Board Member	2011
Rob Larsen	Board Member	2013
School Officials		
Brett Nanninga	Superintendent	2010
Rhonda McKenzie	Business Manager/ Board Secretary	2010
Scott Rogers, Peters Law Firm	Attorney	2010
Brett Nitzschke, Gruhn Law Firm	Attorney	2010
Elizabeth Grob, Ahlers & Cooney, P.C.	Attorney	2010

TRI CENTER COMMUNITY SCHOOL DISTRICT

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2011 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, Budgetary Comparison Information Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,253,854 in fiscal 2009 to \$7,114,130 in fiscal 2010, while General Fund expenditures increased from \$6,797,673 in fiscal 2009 to \$7,299,869 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from a balance of \$431,648 in fiscal 2009 to a balance of \$245,909 in fiscal 2010, a 43.03% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources in fiscal 2010. The increase in expenditures was due primarily to increases in salaries and benefits. The decrease in the General Fund balance was due to the decrease in revenues along with 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

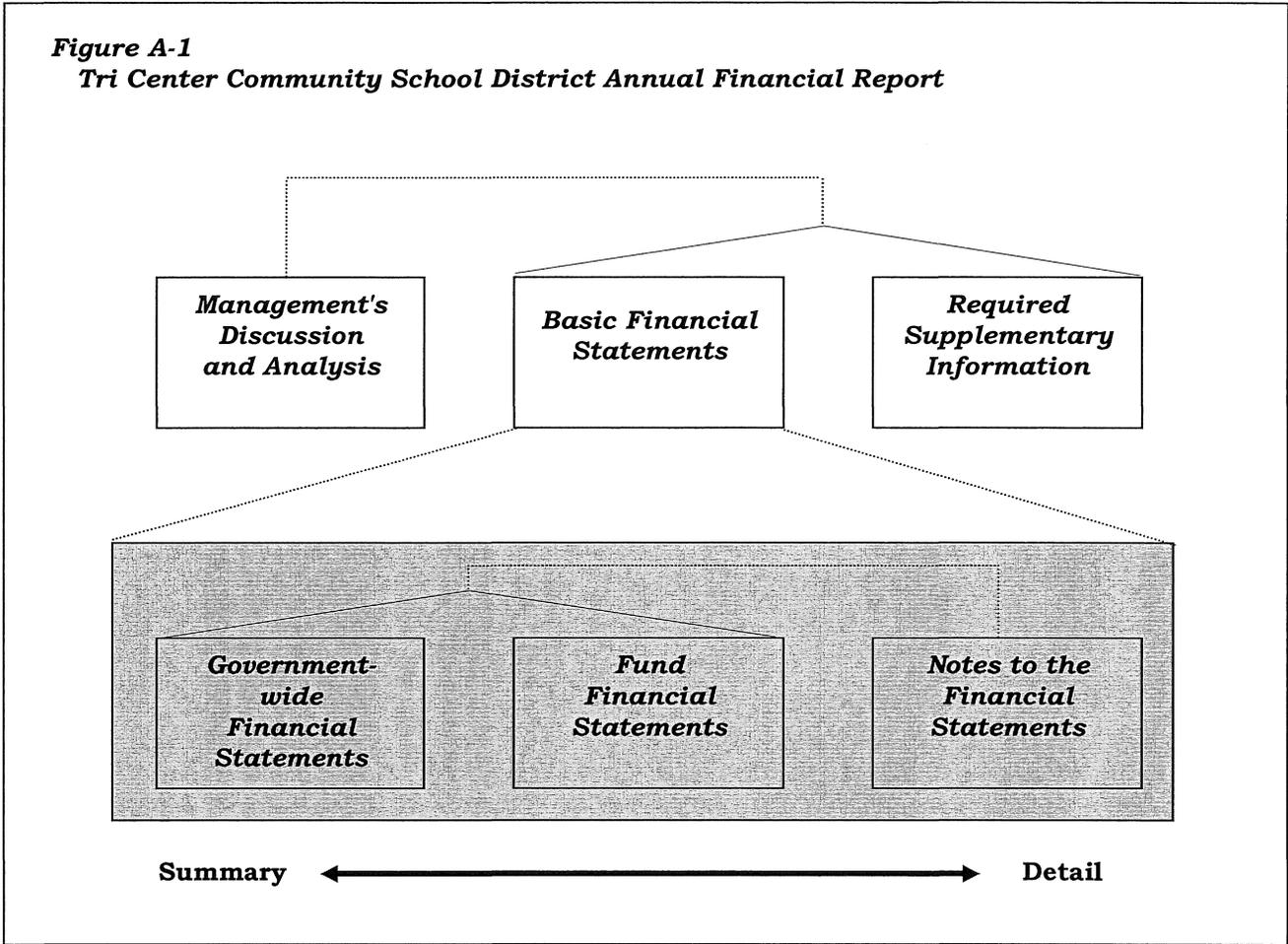


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 6,297,536	5,374,172	60,547	60,524	6,358,083	5,434,696	16.99%
Capital assets	9,687,989	5,268,379	35,779	40,293	9,723,768	5,308,672	83.17%
Total assets	15,985,525	10,642,551	96,326	100,817	16,081,851	10,743,368	49.69%
Long-term liabilities	6,739,051	1,443,443	1,092	0	6,740,143	1,443,443	-366.95%
Other liabilities	4,354,385	4,562,059	22,046	23,037	4,376,431	4,585,096	-4.55%
Total liabilities	11,093,436	6,005,502	23,138	23,037	11,116,574	6,028,539	84.40%
Net assets:							
Invested in capital assets, net of related debt	3,861,940	3,873,379	35,779	40,293	3,897,719	3,913,672	-0.41%
Restricted	856,121	213,700	0	0	856,121	213,700	300.62%
Unrestricted	174,028	549,970	37,409	37,487	211,437	587,457	-64.01%
Total net assets	\$ 4,892,089	4,637,049	73,188	77,780	4,965,277	4,714,829	5.31%

The District's combined net assets increased by 5.31%, or \$250,448, 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 increased \$642,421, or 300.62% from the prior year. The increase was due primarily to the increase 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 – decreased \$376,020 or 64.01%. This decrease in unrestricted net assets was primarily a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Revenues:							
Program revenues:							
Charges for services	\$ 818,334	751,245	246,876	267,810	1,065,210	1,019,055	4.53%
Operating grants and contributions and restricted interest	1,419,245	1,124,734	136,544	126,442	1,555,789	1,251,176	24.35%
General revenues:							
Property tax	2,578,814	2,483,415	0	0	2,578,814	2,483,415	3.84%
Income surtax	266,112	261,123	0	0	266,112	261,123	1.91%
Statewide sales, services and use tax	444,692	553,539	0	0	444,692	553,539	-19.66%
Unrestricted state grants	2,428,835	3,024,265	0	0	2,428,835	3,024,265	-19.69%
Unrestricted investment earnings	29,650	48,905	149	231	29,799	49,136	-39.35%
Other	189,007	169,953	0	0	189,007	169,953	11.21%
Total revenues and transfers	8,174,689	8,417,179	383,569	394,483	8,558,258	8,811,662	-2.88%
Program expenses:							
Governmental activities:							
Instructional	4,746,350	4,595,328	0	0	4,746,350	4,595,328	3.29%
Support services	2,403,554	2,509,765	0	0	2,403,554	2,509,765	-4.23%
Non-instructional programs	7,654	6,466	388,161	374,815	395,815	381,281	3.81%
Other expenses	762,091	595,380	0	0	762,091	595,380	28.00%
Total expenses	7,919,649	7,706,939	388,161	374,815	8,307,810	8,081,754	2.80%
Change in net assets	255,040	710,240	(4,592)	19,668	250,448	729,908	-65.69%
Beginning net assets	4,637,049	3,926,809	77,780	58,112	4,714,829	3,984,921	18.32%
Ending net assets	\$ 4,892,089	4,637,049	73,188	77,780	4,965,277	4,714,829	5.31%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 69.95% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$8.56 million of which \$8.18 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.88% decrease in revenues and a 2.80% increase in expenses. Property tax increased \$95,399 and income surtax increased \$4,989 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 \$8,174,689 and expenses were \$7,919,649 for the year ended June 30, 2010.

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, 2010.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
	Instruction	\$ 4,746,350	4,595,328	3.29%	2,799,934	2,985,979
Support services	2,403,554	2,509,765	-4.23%	2,397,654	2,506,510	-4.34%
Non-instructional programs	7,654	6,466	18.37%	7,654	6,466	18.37%
Other expenses	762,091	595,380	28.00%	476,828	332,005	43.62%
Totals	\$ 7,919,649	7,706,939	2.76%	5,682,070	5,830,960	-2.55%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$818,334.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,419,245.
- The net cost of governmental activities was financed with \$2,578,814 in property tax, \$266,112 in income surtax, \$444,692 in statewide sales and services tax, \$2,428,835 in unrestricted state grants \$29,650 in interest income, and \$189,007 in other general revenues.

Business-Type Activities

Revenues for business-type activities during the year ended June 30, 2010 were \$383,569 representing a 2.77% decrease over the prior year, while expenses were \$388,161, a 3.56% increase 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 \$1,836,630, well above last year's ending fund balances of \$600,233. However, the primary reason for the increase in combined fund balances at the end of fiscal 2010 is due to the increase in the Capital Projects fund balance of \$935,630.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Decreases in state sources decreased significantly from fiscal 2009. The decrease in revenues combined with the increase in expenditures contributed the decrease in the District's General Fund.
- The Capital Projects Fund balance increased from \$80,980 in fiscal 2009 to \$1,016,610 in fiscal 2010. This increase was primarily a result of the increase in bonds issued during the fiscal year.
- The Debt Service Fund balance increased from \$2,993 in fiscal 2009 to \$457,980 in fiscal 2010. This increase was primarily a result of bonds issued and transfers to the Debt Service Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$77,780 at June 30, 2009 to \$73,118 at June 30, 2010 representing a decrease of 5.90%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$505,609 less than budgeted revenues, a variance of 5.58%. 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, 2010, the District had invested \$9,723,768, 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 83.17% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$402,517.

The original cost of the District's capital assets was approximately \$14.13 million. Governmental funds account for approximately \$14.04 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 \$4,285,062 at June 30, 2010, compared to \$193,377 reported at June 30, 2009. This significant increase resulted from the High 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,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 12,669	12,669	0	0	12,669	12,669	0.00%
Construction in progress	4,285,062	193,377	0	0	4,285,062	193,377	95.49%
Buildings	3,248,234	3,361,662	0	0	3,248,234	3,361,662	-3.49%
Land improvements	1,297,527	945,535	0	0	1,297,527	945,535	27.13%
Machinery and equipment	844,497	755,136	35,779	40,293	880,276	795,429	9.64%
Total	\$ 9,687,989	5,268,379	35,779	40,293	9,723,768	5,308,672	83.17%

Long-Term Debt

At June 30, 2010, the District had \$6,734,143 in total long-term debt outstanding. This represents a decrease of 366.95% 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 \$970,000 at June 30, 2010.

The District had outstanding revenue bonds of \$5,710,000 at June 30, 2010.

The District had early retirement benefits payable of \$24,222 at June 30, 2010.

The District had a net OPEB liability of \$35,921 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 970,000	1,130,000	-14.16%
Revenue bonds	5,710,000	265,000	2054.72%
Early retirement	24,222	48,443	-50.00%
Net OPEB liability	35,921	0	100.00%
Totals	\$ 6,740,143	1,443,443	366.95%

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 32.9 students in the fall of 2009 to 691.7. Under Iowa's school funding formula, the district's funding is highly dependent upon the student enrollment and future enrollment stability is critical.

-
- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda McKenzie, Business Manager/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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,887,173	34,043	2,921,216
Receivables:			
Property tax:			
Delinquent	32,197	0	32,197
Succeeding year	2,910,777	0	2,910,777
Income surtax	224,314	0	224,314
Accounts	536	111	647
Due from other governments	242,539	0	242,539
Inventories	0	26,393	26,393
Capital assets, net of accumulated depreciation	9,687,989	35,779	9,723,768
TOTAL ASSETS	15,985,525	96,326	16,081,851
LIABILITIES			
Accounts payable	523,493	0	523,493
Salaries and benefits payable	696,001	17,053	713,054
Accrued interest payable	117,793	0	117,793
Deferred revenue:			
Succeeding year property tax	2,910,777	0	2,910,777
Other	106,321	0	106,321
Unearned Revenue	0	4,993	4,993
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	0	180,000
Revenue bonds payable	190,000	0	190,000
Early retirement payable	24,222	0	24,222
Portion due after one year:			
General obligation bonds payable	790,000	0	790,000
Revenue bonds payable	5,520,000	0	5,520,000
Net OPEB liability	34,829	1,092	35,921
TOTAL LIABILITIES	11,093,436	23,138	11,116,574
NET ASSETS			
Invested in capital assets, net of related debt	3,861,940	35,779	3,897,719
Restricted for:			
Categorical funding	143,573	0	143,573
Capital projects	162,659	0	162,659
Management levy	45,803	0	45,803
Physical plant and equipment levy	6,334	0	6,334
Other special revenue purposes	39,772	0	39,772
Debt service	457,980	0	457,980
Unrestricted	174,028	37,409	211,437
TOTAL NET ASSETS	\$ 4,892,089	73,188	4,965,277

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 3,199,596	601,552	821,071	(1,776,973)	0	(1,776,973)
Special	782,814	74,165	124,779	(583,870)	0	(583,870)
Other	763,940	142,617	182,232	(439,091)	0	(439,091)
	<u>4,746,350</u>	<u>818,334</u>	<u>1,128,082</u>	<u>(2,799,934)</u>	<u>0</u>	<u>(2,799,934)</u>
Support services:						
Student	243,499	0	0	(243,499)	0	(243,499)
Instructional staff	227,949	0	0	(227,949)	0	(227,949)
Administration	859,449	0	0	(859,449)	0	(859,449)
Operation and maintenance of plant	494,938	0	0	(494,938)	0	(494,938)
Transportation	577,719	0	5,900	(571,819)	0	(571,819)
	<u>2,403,554</u>	<u>0</u>	<u>5,900</u>	<u>(2,397,654)</u>	<u>0</u>	<u>(2,397,654)</u>
Non-instructional programs:						
Food service programs	4,613	0	0	(4,613)	0	(4,613)
Community service operations	3,041	0	0	(3,041)	0	(3,041)
	<u>7,654</u>	<u>0</u>	<u>0</u>	<u>(7,654)</u>	<u>0</u>	<u>(7,654)</u>
Other expenditures:						
Long-term debt interest	271,501	0	0	(271,501)	0	(271,501)
AEA flowthrough	285,263	0	285,263	0	0	0
Depreciation(unallocated)*	205,327	0	0	(205,327)	0	(205,327)
	<u>762,091</u>	<u>0</u>	<u>285,263</u>	<u>(476,828)</u>	<u>0</u>	<u>(476,828)</u>
Total governmental activities	7,919,649	818,334	1,419,245	(5,682,070)	0	(5,682,070)
Business Type activities:						
Non-instructional programs:						
Nutrition services	388,161	246,876	136,544	0	(4,741)	(4,741)
Total	<u>\$ 8,307,810</u>	<u>1,065,210</u>	<u>1,555,789</u>	<u>(5,682,070)</u>	<u>(4,741)</u>	<u>(5,686,811)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 2,411,151	0	2,411,151
Capital outlay				64,835	0	64,835
Debt service				102,828	0	102,828
Income surtax				266,112	0	266,112
Statewide sales, services and use tax				444,692	0	444,692
Unrestricted state grants				2,428,835	0	2,428,835
Unrestricted investment earnings				29,650	149	29,799
Other				189,007	0	189,007
Total general revenues				<u>5,937,110</u>	<u>149</u>	<u>5,937,259</u>
Changes in net assets				255,040	(4,592)	250,448
Net assets beginning of year				4,637,049	77,780	4,714,829
Net assets end of year				<u>\$ 4,892,089</u>	<u>73,188</u>	<u>4,965,277</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
ASSETS					
Cash and pooled investments:					
Other	\$ 917,450	1,398,520	456,656	114,547	2,887,173
Receivables:					
Property tax:					
Delinquent	28,331	0	1,324	2,542	32,197
Succeeding year	2,550,148	0	199,906	160,723	2,910,777
Income surtax	224,314	0	0	0	224,314
Accounts	536	0	0	0	536
Due from other governments	196,892	45,647	0	0	242,539
TOTAL ASSETS	\$ 3,917,671	1,444,167	657,886	277,812	6,297,536
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 94,978	427,557	0	958	523,493
Salaries and benefits payable	696,001	0	0	0	696,001
Deferred revenue:					
Succeeding year property tax	2,550,148	0	199,906	160,723	2,910,777
Income surtax	224,314	0	0	0	224,314
Other	106,321	0	0	0	106,321
Total liabilities	3,671,762	427,557	199,906	161,681	4,460,906
Fund balances:					
Reserved for:					
Construction	0	853,951	0	0	853,951
Categorical funding	143,573	0	0	0	143,573
Debt service	0	0	457,980	0	457,980
Unreserved, reported in:					
General fund	102,336	0	0	0	102,336
Special revenue fund	0	0	0	116,131	116,131
Capital projects fund	0	162,659	0	0	162,659
Total fund balances	245,909	1,016,610	457,980	116,131	1,836,630
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,917,671	1,444,167	657,886	277,812	6,297,536

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, 2010

Total fund balances of governmental funds (page 20) \$ 1,836,630

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 9,687,989

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current period. 224,314

Long-term liabilities, including general obligation bonds
 revenue bonds, early retirement, and other post employment
 benefits payable are not due and payable in the current
 period and, therefore, are not reported in the governmental
 funds. (6,856,844)

Net assets of governmental activites (page 18) \$ 4,892,089

TRI-CENTER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,522,724	444,692	102,828	210,121	3,280,365
Tuition	654,007	0	0	0	654,007
Other	256,744	4,295	206	289,163	550,408
State sources	3,192,111	0	0	0	3,192,111
Federal sources	488,544	0	0	0	488,544
Total revenues	<u>7,114,130</u>	<u>448,987</u>	<u>103,034</u>	<u>499,284</u>	<u>8,165,435</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,116,830	0	0	70,305	3,187,135
Special	781,259	0	0	0	781,259
Other	486,469	0	0	263,323	749,792
	<u>4,384,558</u>	<u>0</u>	<u>0</u>	<u>333,628</u>	<u>4,718,186</u>
Support services:					
Student	242,324	0	0	0	242,324
Instructional staff	357,346	0	0	0	357,346
Administration	769,352	1,953	0	1,270	772,575
Operation and maintenance of plant	771,616	0	0	43,823	815,439
Transportation	486,369	35,150	0	59,950	581,469
	<u>2,627,007</u>	<u>37,103</u>	<u>0</u>	<u>105,043</u>	<u>2,769,153</u>
Non-instructional programs:					
Food service programs	0	0	0	4,613	4,613
Community service operations	3,041	0	0	0	3,041
	<u>3,041</u>	<u>0</u>	<u>0</u>	<u>4,613</u>	<u>7,654</u>
Other expenditures:					
Facilities acquisitions	0	4,177,616	0	24,481	4,202,097
Long-term debt:					
Principal	0	0	235,000	0	235,000
Interest and fiscal charges	0	0	156,888	0	156,888
AEA flowthrough	285,263	0	0	0	285,263
	<u>285,263</u>	<u>4,177,616</u>	<u>391,888</u>	<u>24,481</u>	<u>4,879,248</u>
Total expenditures	<u>7,299,869</u>	<u>4,214,719</u>	<u>391,888</u>	<u>467,765</u>	<u>12,374,241</u>
Excess (deficiency) of revenues over (under) expenditures	(185,739)	(3,765,732)	(288,854)	31,519	(4,208,806)
Other financing sources (uses):					
Transfers in	0	0	743,841	0	743,841
Transfers out	0	(743,841)	0	0	(743,841)
General obligation bond issuance	0	5,510,000	0	0	5,510,000
Discount on issuance of bonds	0	(64,797)	0	0	(64,797)
Refunding bond issuance	0	0	970,000	0	970,000
Payment to escrow	0	0	(960,000)	0	(960,000)
Bond issuance costs	0	0	(10,000)	0	(10,000)
Total other financing uses	<u>0</u>	<u>4,701,362</u>	<u>743,841</u>	<u>0</u>	<u>5,445,203</u>
Net change in fund balances	(185,739)	935,630	454,987	31,519	1,236,397
Fund balance beginning of year	431,648	80,980	2,993	84,612	600,233
Fund balance end of year	<u>\$ 245,909</u>	<u>1,016,610</u>	<u>457,980</u>	<u>116,131</u>	<u>1,836,630</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, 2010

Net change in fund balances - total governmental funds (page 22)	\$	1,236,397
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Capital outlays	\$ 4,790,679	
Depreciation expense	<u>(371,069)</u>	4,419,610
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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:</p>		
Issued	(6,480,000)	
Repaid	<u>1,195,000</u>	(5,285,000)
<p>Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		9,254
<p>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.</p>		
		(114,613)
<p>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:</p>		
Early retirement	24,221	
Other postemployment benefits	<u>(34,829)</u>	(10,608)
Changes in net assets of governmental activities (page 19)	\$	<u>255,040</u>

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 34,043
Accounts receivable	111
Inventories	26,393
Capital assets, net of accumulated depreciation	<u>35,779</u>
TOTAL ASSETS	<u>96,326</u>
LIABILITIES	
Salaries and benefits payable	17,053
Unearned revenue	4,993
Net OPEB liability	<u>1,092</u>
TOTAL LIABILITIES	<u>23,138</u>
NET ASSETS	
Invested in capital assets	35,779
Unrestricted	<u>37,409</u>
TOTAL NET ASSETS	<u>\$ 73,188</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, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 246,876
Operating expenses:	
Non-instructional programs:	
Salaries	162,062
Benefits	39,630
Services	1,835
Supplies	178,186
Depreciation	6,448
Total operating expenses	388,161
Operating loss	(141,285)
Non-operating revenues:	
State sources	3,562
Federal sources	132,982
Interest on investments	149
Total non-operating revenues	136,693
Change in net assets	(4,592)
Net assets beginning of year	77,780
Net assets end of year	\$ 73,188

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 246,557
Cash payments to employees for services	(201,277)
Cash payments to suppliers for goods or services	(145,616)
Net cash used in operating activities	(100,336)
Cash flows from non-capital financing activities:	
State grants received	3,562
Federal grants received	99,529
Net cash provided by non-capital financing activities	103,091
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,934)
Cash flows from investing activities:	
Interest on investments	149
Net increase in cash and cash equivalents	970
Cash and cash equivalents at beginning of year	33,073
Cash and cash equivalents at end of year	\$ 34,043
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (141,285)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	33,453
Depreciation	6,448
Decrease in inventories	952
Increase in accounts receivable	(5)
Decrease in salaries and benefits payable	(677)
Decrease in deferred revenue	(314)
Increase in other postemployment benefits	1,092
Net cash used in operating activities	\$ (100,336)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$33,453.

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 41,738
LIABILITIES	
	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 41,738</u>

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 905
Deductions:	
Instruction:	
Scholarships awarded	1,800
Change in net assets	(895)
Net assets beginning of year	42,633
Net assets end of year	\$ 41,738

TRI-CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 and intangibles, 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
Intangibles	25,000
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
Intangibles	2 or more 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, 2010 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,275,580 pursuant to the Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 643,841
Debt Service	Capital Projects	<u>100,000</u>
Total		<u><u>\$ 743,841</u></u>

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

Transfers from the Capital Projects fund to the Debt Service fund were to relieve debt. \$100,000 of the transfer was for General Obligation bond indebtedness and the remaining \$643,841 was for Revenue bond indebtedness.

(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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Paid</u>	<u>Balance End of Year</u>
2009-10A	6/25/09	6/23/10	\$ -	300,000	300,000	-

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 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	193,377	4,091,685	0	4,285,062
Total capital assets not being depreciated	<u>206,046</u>	<u>4,091,685</u>	<u>0</u>	<u>4,297,731</u>
Capital assets being depreciated:				
Buildings	5,655,209	0	0	5,655,209
Land improvements	1,395,194	443,891	0	1,839,085
Machinery and equipment	1,995,100	280,103	25,000	2,250,203
Total capital assets being depreciated	<u>9,045,503</u>	<u>723,994</u>	<u>25,000</u>	<u>9,744,497</u>
Less accumulated depreciation for:				
Buildings	2,293,547	113,428	0	2,406,975
Land improvements	449,659	91,899	0	541,558
Machinery and equipment	1,239,964	190,742	25,000	1,405,706
Total accumulated depreciation	<u>3,983,170</u>	<u>396,069</u>	<u>25,000</u>	<u>4,354,239</u>
Total capital assets being depreciated, net	<u>5,062,333</u>	<u>327,925</u>	<u>0</u>	<u>5,390,258</u>
Governmental activities capital assets, net	<u>\$ 5,268,379</u>	<u>4,419,610</u>	<u>0</u>	<u>9,687,989</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 94,295	1,934	0	96,229
Less accumulated depreciation	54,002	6,448	0	60,450
Business type activities capital assets, net	<u>\$ 40,293</u>	<u>(4,514)</u>	<u>0</u>	<u>35,779</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 20,995
Other	15,506
Support services:	
Instructional staff	49,203
Administration	9,376
Operation and maintenance of plant	10,164
Transportation	85,498
	<u>190,742</u>
Unallocated depreciation	<u>205,327</u>
Total governmental activities depreciation expense	<u>\$ 396,069</u>
Business type activities:	
Food service operations	<u>\$ 6,448</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,130,000	970,000	1,130,000	970,000	180,000
Revenue bonds	265,000	5,510,000	65,000	5,710,000	190,000
Early Retirement	48,443	0	24,221	24,222	24,222
Net OPEB liability	0	34,829	0	34,829	0
Total	\$ 1,443,443	6,514,829	1,219,221	6,739,051	394,222
Business type activities:					
Net OPEB liability	\$ 0	1,092	0	1,092	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 5, 2010			
	Interest Rates	Principal	Interest	Total
2011	1.00%	180,000	19,906	199,906
2012	1.35	190,000	16,765	206,765
2013	1.85	190,000	14,200	204,200
2014	2.35	200,000	10,685	210,685
2015	2.85	210,000	5,985	215,985
Total		\$ 970,000	67,541	1,037,541

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 29, 2007		Bond Issue of July 1, 2009			Total	
	Interest Rates	Principal Interest	Interest Rates	Principal	Interest	Principal	Interest
2011	4.00%	\$ 65,000 8,103	3.15%	\$ 125,000	235,585	190,000	243,688
2012	4.05	65,000 5,503	3.15	125,000	231,648	190,000	237,151
2013	4.10	70,000 2,870	3.15	125,000	227,710	195,000	230,580
2014	-	-	3.15	200,000	223,773	200,000	223,773
2015	-	-	3.20	225,000	217,473	225,000	217,473
2016-2020	-	-	3.40-4.15	1,250,000	965,443	1,250,000	965,443
2021-2025	-	-	4.30-4.75	1,530,000	682,728	1,530,000	682,728
2026-2030	-	-	4.75-4.90	1,930,000	289,115	1,930,000	289,115
Total		\$ 200,000 16,476		\$ 5,510,000	3,073,474	5,710,000	3,089,950

The District has pledged future statewide sales, services and use tax revenues to repay the \$390,000 bonds issued in May 2007 and the \$5,510,000 bonds issued July 2009. The 2007 bonds were issued for the purpose of calling revenue bond anticipation notes. The bonds are payable solely from the proceeds of the statewide sales, services use tax received by the District and are payable through 2013. The 2009 bonds were issued for the purpose of constructing an addition and renovation to the high school building. 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 100% of the

statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$8,799,950. For the current year, principal and interest was paid on the bonds of \$1,428,638, and the total statewide sales, services and use tax revenues was \$444,692.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use 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) Advanced Refunding

On May 5, 2010, the District issued \$970,000 in general obligation bonds to advance refund \$960,000 to call the outstanding general obligation bonds dated April 1, 2003. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$24,266.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$287,719, \$268,420, and \$254,287, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 82 active and 10 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 46,255
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	46,255
Contributions made	(10,334)
Increase in net OPEB obligation	35,921
Net OPEB obligation beginning of year	0
Net OPEB obligation end of year	<u>\$ 35,921</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$10,334 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$46,255	22.3%	\$35,921

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$389,995, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$389,995. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,389,781 and the ratio of the UAAL to covered payroll was 16.32%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$342 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) 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 \$285,263 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Construction Commitment

The District has entered into a contract totaling \$4,653,389 for the construction of an addition and renovation project. As of June 30, 2010, costs of \$3,662,043 had been incurred against the

contract. The balance of \$991,346 remaining at June 30, 2010 will be paid as work on the projects progress.

(13) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Program</u>	<u>Amount</u>
Talented and gifted	\$ 65,610
Returning dropout and dropout prevention	15,837
Beginning teacher mentoring	1,005
Teacher salary supplement	39,875
Professional development, model core curriculum	19,458
Professional development	1,788
	<hr/>
Total	\$ 143,573

TRI CENTER COMMUNITY SCHOOL DISTRICT

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,484,780	247,025	4,731,805	4,789,800	4,789,800	(57,995)
State sources	3,192,111	3,562	3,195,673	4,004,813	4,004,813	(809,140)
Federal sources	488,544	132,982	621,526	260,000	260,000	361,526
Total revenues	8,165,435	383,569	8,549,004	9,054,613	9,054,613	(505,609)
Expenditures/Expenses:						
Instruction	4,718,186	0	4,718,186	5,211,638	5,211,638	493,452
Support services	2,769,153	0	2,769,153	2,848,000	3,148,000	378,847
Non-instructional programs	7,654	388,161	395,815	437,713	437,713	41,898
Other expenditures	4,879,248	0	4,879,248	6,237,674	6,237,674	1,358,426
Total expenditures/expenses	12,374,241	388,161	12,762,402	14,735,025	15,035,025	2,272,623
Excess(deficiency)of revenues over(under)expenditures/expenses	(4,208,806)	(4,592)	(4,213,398)	(5,680,412)	(5,980,412)	1,767,014
Other financing sources, net	5,445,203	0	5,445,203	5,281,000	5,281,000	(164,203)
Excess(deficiency)of revenues over(under)expenditures/expenses	1,236,397	(4,592)	1,231,805	(399,412)	(699,412)	1,931,217
Balance beginning of year	600,233	77,780	678,013	406,245	406,245	(271,768)
Balance end of year	\$ 1,836,630	73,188	1,909,818	6,833	(293,167)	2,202,985

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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.

During the year ended June 30, 2010 the District made an amendment to the budget. The amendment was a \$300,000 increase due to ARRA revenue for the support services function and brought the budgeted amount to \$15 million.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 390	390	0.0%	\$ 2,390	16.32%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Special Revenue			
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 68,159	39,772	6,616	114,547
Receivables:				
Property tax:				
Delinquent	1,866	0	676	2,542
Succeeding year	99,999	0	60,724	160,723
TOTAL ASSETS	\$ 170,024	39,772	68,016	277,812
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payables	\$ 0	0	958	958
Deferred revenue:				
Succeeding year property tax	99,999	0	60,724	160,723
Total liabilities	99,999	0	61,682	161,681
Unreserved fund balances	70,025	39,772	6,334	116,131
TOTAL LIABILITIES AND FUND BALANCES	\$ 170,024	39,772	68,016	277,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue			Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 145,286	0	64,835	210,121
Other	15,028	274,043	92	289,163
TOTAL REVENUES	160,314	274,043	64,927	499,284
EXPENDITURES:				
Current:				
Instruction:				
Regular	70,305	0	0	70,305
Other	0	263,323	0	263,323
Support services:				
Administration	1,270	0	0	1,270
Operation and maintenance of plant	43,823	0	0	43,823
Transportation	23,435	0	36,515	59,950
Non-instructional programs:				
Food service operation	4,613	0	0	4,613
Other expenditures:				
Facilities acquisition	0	0	24,481	24,481
TOTAL EXPENDITURES	143,446	263,323	60,996	467,765
EXCESS OF REVENUES OVER EXPENDITURES	16,868	10,720	3,931	31,519
FUND BALANCE BEGINNING OF YEAR	53,157	29,052	2,403	84,612
FUND BALANCE END OF YEAR	\$ 70,025	39,772	6,334	116,131

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 770	1,509	1,501	778
Cross Country	36	2,822	2,116	742
Boys Basketball	888	8,929	9,548	269
Football	1,477	10,605	11,094	988
Soccer	76	6,681	6,456	301
Baseball	1,015	14,439	13,609	1,845
Boys Track	27	7,510	7,162	375
Golf	0	1,270	1,078	192
Wrestling	501	8,460	8,835	126
Girls Basketball	405	5,416	3,825	1,996
Volleyball	265	6,553	4,758	2,060
Summer Softball	1,052	6,221	5,905	1,368
Girls Track	162	5,516	5,220	458
Misc Athletics	1,408	4,315	3,875	1,848
General Activity	171	6,151	5,551	771
Class of 2010	1,586	1,002	2,588	0
Weights	(597)	966	315	54
Book Fair	1,126	3,362	4,160	328
Flags	0	583	0	583
Leadership	(726)	10,943	7,955	2,262
Class of 2011	0	12,775	11,899	876
Bowling	0	1,440	1,419	21
Yearbook	4,944	7,493	7,652	4,785
Student Council-Persia	344	775	1,119	0
Student Council	(754)	11,827	13,148	(2,075)
Elementary Student Council	1,263	3,122	3,168	1,217
Musicals	3,916	10,713	13,565	1,064
TC Store	0	932	3,565	(2,633)
Elementary Yearbook	0	1,280	1,046	234
Special Education Athletics	427	3,192	1,919	1,700
High School Cheerleaders	(988)	4,401	1,468	1,945
Drill Team	(394)	867	277	196
Suess Reading	0	1,273	120	1,153
Elementary Art Club	1,856	2,661	2,342	2,175
National Honor Society	284	580	685	179
Astra	411	5,392	5,363	440
FFA	7,971	22,077	23,870	6,178
Vending	8	7,996	8,611	(607)
Band Resale	0	1,734	938	796
Trojan Fit Club	122	70	58	134
Trip	0	60,190	55,540	4,650
Total	\$ 29,052	274,043	263,323	39,772

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Capital Projects Fund		
	Statewide Sales, Services and Use Tax	Building Projects	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 117,012	1,281,508	1,398,520
Due from other governments	45,647	0	45,647
TOTAL ASSETS	\$ 162,659	1,281,508	1,444,167
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	427,557	427,557
Fund balances:			
Reserved for:			
Construction	0	853,951	853,951
Unreserved:			
Capital projects	162,659	0	162,659
Total fund balances	162,659	853,951	1,016,610
TOTAL LIABILITIES AND FUND BALANCES	\$ 162,659	1,281,508	1,444,167

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNIT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010

	Capital Projects Fund		
	Statewide Sales, Services and Use Tax	Building Projects	Total Capital Projects Funds
REVENUES:			
Local sources:			
Local tax	\$ 444,692	0	444,692
Other	432	3,863	4,295
TOTAL REVENUES	445,124	3,863	448,987
EXPENDITURES:			
Current:			
Support services:			
Administration	1,953	0	1,953
Transportation	35,150	0	35,150
	37,103	0	37,103
Other expenditures:			
Facilities acquisitions	85,931	4,091,685	4,177,616
TOTAL EXPENDITURES	123,034	4,091,685	4,214,719
Excess (deficiency) of revenues over (under) expenditures	322,090	(4,087,822)	(3,765,732)
Other financing sources(uses):			
Transfer in	0	4,941,773	4,941,773
Transfer out	(5,685,614)	0	(5,685,614)
General obligation bond issuance	5,510,000	0	5,510,000
Discount on issuance of bonds	(64,797)	0	(64,797)
Total other financing sources(uses)	(240,411)	4,941,773	4,701,362
Excess of revenues and other financing sources over expenditures	81,679	853,951	935,630
Fund balance beginning of year	80,980	0	80,980
Fund balance end of year	\$ 162,659	853,951	1,016,610

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 3,280,365	3,261,605	2,782,176	2,423,778	2,398,369	2,285,136	2,398,384
Tuition	654,007	597,224	645,367	536,115	498,842	526,330	471,937
Other	550,408	506,560	413,074	443,285	357,153	333,558	334,713
Intermediate sources	0	0	0	0	0	18,862	0
State sources	3,192,111	3,794,638	3,941,911	3,611,309	3,373,903	3,099,837	2,945,893
Federal sources	488,544	220,280	175,522	186,544	179,102	314,822	397,216
Total	<u>\$ 8,165,435</u>	<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	\$ 3,187,135	3,899,837	3,036,371	2,981,854	2,670,044	2,582,164	2,506,651
Special	781,259	48,258	683,419	632,454	600,306	695,169	606,173
Other	749,792	594,809	718,634	648,224	618,370	520,746	564,314
Support services:							
Student	242,324	222,809	237,700	223,160	221,364	215,521	272,872
Instructional staff	357,346	150,760	142,267	176,587	219,886	188,093	158,631
Administration	772,575	795,844	782,199	844,635	667,394	631,440	576,396
Operation and maintenance of plant	815,439	731,850	741,138	718,495	743,051	578,909	553,285
Transportation	581,469	564,420	490,226	527,941	535,955	386,175	418,434
Non-instructional programs	7,654	6,466	6,564	13,536	5,815	8,907	11,095
Other expenditures:							
Facilities acquisitions	4,202,097	382,007	442,003	159,016	934,601	240,274	168,144
Long-term debt:							
Principal	235,000	225,000	295,599	437,550	240,000	287,498	273,521
Interest and other charges	156,888	69,835	65,227	78,178	77,545	114,560	127,779
AEA flow-through	285,263	263,375	256,930	238,260	219,625	204,512	206,915
Total	<u>\$ 12,374,241</u>	<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

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture			
School Nutrition Cluster Programs			
School Breakfast	10.553	FY10	\$ 12,014
National School Lunch Program	10.555	FY10	<u>120,968</u> *
			<u>132,982</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	41,211
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	<u>9,112</u>
			<u>50,323</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	FY09	1,709
	84.186	FY10	<u>1,332</u>
			<u>3,041</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>23,117</u>
Grants for State Assessments and Related Activities	84.369	FY10	<u>4,869</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>219,232</u>
Area Education Agency:			
Career and Technical Education - Basic Grants to States	84.048	FY10	<u>4,138</u>
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	98,686
Special Education - Grants to States	84.027	FY10	<u>36,092</u>
			<u>134,778</u>
Total			<u>\$ 572,480</u>

* - Includes \$33,453 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Tri-Center Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2011. 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 an 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, 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 deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable To Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Tri-Center Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Tri-Center Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Tri-Center Community School District's management. Our responsibility is to express an opinion on Tri-Center Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tri-Center Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tri-Center Community School District's compliance with those requirements.

In our opinion, Tri-Center Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Tri-Center Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Tri-Center Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tri-Center Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all

deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Tri-Center Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specific parties.



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2011

TRI-CENTER COMMUNIT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Tri-Center Community School District did not qualify as a low-risk auditee.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 - The District will investigate alternatives and implement if possible.

Conclusion - Response accepted.

II-B-10 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - The District will review procedures in place and work towards maintaining records of hours worked.

Conclusion - Response accepted.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 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 - The District will investigate alternatives and implement if possible.

Conclusion - Response accepted.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-B-10 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.
- IV-C-10 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.
- IV-D-10 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-10 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.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 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.
- IV-J-10 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.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.5 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June, 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue			444,692
Expenditures/transfers out:			
General obligation debt	\$	100,000	
Revenue debt		263,445	363,445
Ending balance		\$	<u>81,247</u>

As a result of the statewide sales, services and use tax revenue received during year ended June 30, 2010, the District reduced the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.59744	\$ 100,000
Physical plant and equipment levy	1.34000	224,290

IV-M-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - We will have the Board President sign all contracts entered into by the District.

Conclusion - Response accepted.

IV-N-10 Payments to Officials - We noted during our audit that checks for officiating crews were made out to one official. According to 279.30 of the Code of Iowa, "Each payment must be made payable to the person entitled to receive the money."

Recommendation - The District should make payments to each individual (athletic) official rather than one payment to the entire officiating crew.

Response - The District will make the necessary changes to how payments are made.

Conclusion - Response accepted.