

TRI-CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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TRI CENTER COMMUNITY SCHOOL DISTRICT

Tri-Center Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Rob Larsen	President	2015
Valerie Wham	Vice President	2015
Duane Barrier	Board Member	2013
Mike Eickenberry	Board Member	2013
Mike Pettit	Board Member	2015
School Officials		
Brett Nanninga	Superintendent	2013
Rhonda McKenzie	Business Manager/ Board Secretary	2013
Scott Rogers, Peters Law Firm	Attorney	2013
Brett Nitzschke, Lynch Dallas, P.C.	Attorney	2013
Elizabeth Grob, Ahlers & Cooney, P.C.	Attorney	2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(A professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 10 through 19 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is present for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2013 on our consideration so Tri-Center Community School District's internal control over financial reporting and on 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, 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 in considering Tri-Center Community School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

December 9, 2013

TRI-CENTER COMMUNITY SCHOOL DISTRICT

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,561,536 in fiscal 2012 to \$7,464,259 in fiscal 2013, while General Fund expenditures increased from \$7,496,563 in fiscal 2012 to \$7,849,576 in fiscal 2013. The District's General Fund balance decreased from \$642,677 in fiscal 2011 to \$257,360 in fiscal 2013, a 40.04% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in tuition and state moneys received by the District during fiscal 2013. The increase in expenditures was due to increases in salaries and benefits received by District employees, the purchase of technology for instructional purposes and an increase in transportation costs.

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 Position 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

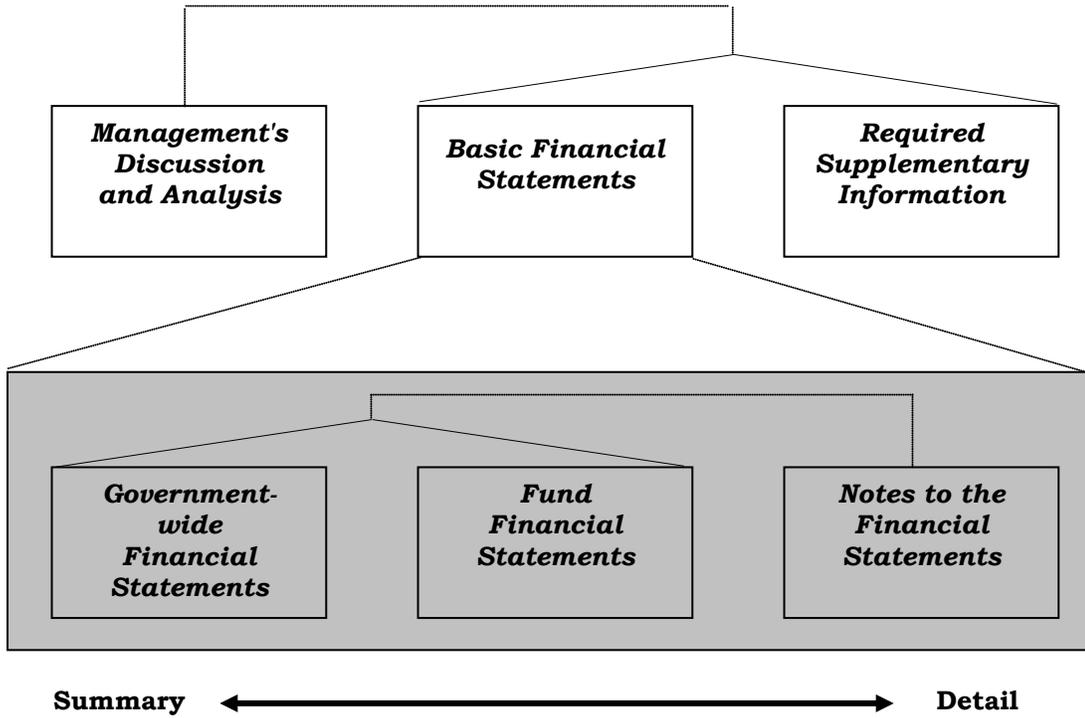


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 position • 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 position • Statement of revenues, expenses, and changes in fund net position. • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how they have changed. Net position – 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 position 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 position, a statement of revenues, expenses and changes in fund net position, 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 position and a statement of changes in fiduciary net position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,449,646	5,448,635	56,447	53,779	5,506,093	5,502,414	0.07%
Capital assets	9,663,697	10,090,433	94,289	105,457	9,757,986	10,195,890	-4.29%
Total assets	15,113,343	15,539,068	150,736	159,236	15,264,079	15,698,304	-2.77%
Long-term liabilities	5,698,716	6,036,238	7,038	3,331	5,705,754	6,039,569	5.53%
Other liabilities	4,067,294	3,916,681	33,949	32,509	4,101,243	3,949,190	3.85%
Total liabilities	9,766,010	9,952,919	40,987	35,840	9,806,997	9,988,759	-1.82%
Net position:							
Net investment in capital assets	4,118,697	4,160,433	94,289	105,457	4,212,986	4,265,890	-1.24%
Restricted	980,378	781,378	-	-	980,378	781,378	25.47%
Unrestricted	248,258	644,338	15,460	17,939	263,718	662,277	-60.18%
Total net position	\$ 5,347,333	5,586,149	109,749	123,396	5,457,082	5,709,545	-4.42%

The District's total net position decreased by 4.42%, or \$252,463, from the prior year. The largest portion of the District's net position 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 position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$199,000, or 25.47% from the prior year. The increase was due primarily to a increase in fund balance for the Management Levy and Student Activity Funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$398,559 or 60.18%. The decrease in unrestricted net position is mainly attributable to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 892,389	1,005,341	231,209	243,235	1,123,598	1,248,576	-10.01%
Operating grants and contributions and restricted interest	644,094	571,904	140,892	130,963	784,986	702,867	11.68%
General revenues:							
Property tax	2,999,914	2,964,904	-	-	2,999,914	2,964,904	1.18%
Income surtax	272,763	260,615	-	-	272,763	260,615	4.66%
Statewide sales, services and use tax	609,820	575,595	-	-	609,820	575,595	5.95%
Unrestricted state grants	3,275,378	3,369,677	-	-	3,275,378	3,369,677	-2.80%
Nonspecific program federal grants	-	2,031	-	-	-	2,031	-100.00%
Unrestricted investment earnings	9,725	18,812	76	96	9,801	18,908	-48.16%
Other	124,727	161,587	-	68	124,727	161,655	-22.84%
Total revenues	8,828,810	8,930,466	372,177	374,362	9,200,987	9,304,828	-1.12%
Program expenses:							
Governmental activities:							
Instructional	5,340,263	5,095,974	-	-	5,340,263	5,095,974	4.79%
Support services	2,907,056	2,721,726	-	-	2,907,056	2,721,726	6.81%
Non-instructional programs	7,786	6,408	385,824	392,094	393,610	398,502	-1.23%
Other expenses	812,521	825,640	-	-	812,521	825,640	-1.59%
Total expenses	9,067,626	8,649,748	385,824	392,094	9,453,450	9,041,842	4.55%
Increase(Decrease) in net position	(238,816)	280,718	(13,647)	(17,732)	(252,463)	262,986	-196.00%
Beginning net position	5,586,149	5,305,431	123,396	141,128	5,709,545	5,446,559	4.83%
Ending net position	\$ 5,347,333	5,586,149	109,749	123,396	5,457,082	5,709,545	-4.42%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 81.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were approximately \$9.20 million of which approximately \$8.83 million was for governmental activities and approximately \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.12% decrease in revenues and a 4.55% increase in expenses. Property tax increased \$35,010 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits for District employees.

Governmental Activities

Revenues for governmental activities were \$8,828,810 and expenses were \$9,067,626 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,340,263	5,095,974	4.79%	4,063,725	3,788,164	7.27%
Support services	2,907,056	2,721,726	6.81%	2,902,976	2,707,541	7.22%
Non-instructional programs	7,786	6,408	21.50%	7,786	6,408	21.50%
Other expenses	812,521	825,640	-1.59%	556,656	570,390	-2.41%
Totals	\$ 9,067,626	8,649,748	4.83%	7,531,143	7,072,503	6.48%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$892,389.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$644,094.
- The net cost of governmental activities was financed with \$2,999,914 in property tax, \$272,763 in income surtax, \$609,820 in statewide sales, services and use tax, \$3,275,378 in unrestricted state grants, \$9,725 in interest income, and \$124,727 in other general revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$372,177 representing a 0.58% decrease over the prior year, while expenses were \$385,824, a 1.60% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,128,877, below last year's ending fund balances of \$1,277,448. The primary reason for the decrease in combined fund balance can be attributed to the decrease in the General Fund accounts balances.

Governmental Fund Highlights

- The General Fund balance decreased from \$642,677 at June 30, 2012 to \$257,360 at June 30, 2013. Decreases in enrollment and state funding led to a decrease in General Fund revenues. While there was an increase in fund expenditures that can be mainly attributable to the increase in salary and benefits received by District employees. Overall, the District's General Fund balance decreased by \$385,317 in fiscal 2013.
- The Debt Service Fund balance increased from \$326,273 in fiscal 2012 to \$542,502 in fiscal 2013. The increase in fund balance is the result of a decrease in interest and fiscal charges paid in the current year for the District's indebtedness.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$123,396 at June 30, 2012 to \$109,749 at June 30, 2013 representing a decrease of 11.06%. The primary reason for the decrease in net position in the School Nutrition Fund is due to the increase in salaries and benefits paid by the District, increased food costs, adjustments made due to the new school nutrition program requirements and reduction in meals served.

BUDGETARY HIGHLIGHTS

The District's revenues were \$216,182 less than budgeted revenues, a variance of 2.30%. The most significant variance resulted from the District receiving less in state and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget 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.

Over the course of the year, Tri Center Community School District amended its budget one time to reflect additional expenditures in the support services and the other expenditures functional areas.

In spite of the District's budgetary practice, expenditures in the instructional functional area exceeded the amount budgeted and the District also exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$9,757,986, 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 decrease of 4.29% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$483,052.

The original cost of the District's capital assets was approximately \$15.48 million. Governmental funds account for approximately \$15.31 million, with the remainder of approximately \$0.17 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$677,422 at June 30, 2012, compared to \$555,723 reported at June 30, 2013. This decrease resulted from the annual depreciation expense for the year.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 12,669	12,669	-	-	12,669	12,669	0.00%
Buildings	8,136,442	8,358,906	-	-	8,136,442	8,358,906	-2.73%
Land improvements	1,053,152	1,146,893	-	-	1,053,152	1,146,893	-8.90%
Machinery and equipment	461,434	571,965	94,289	105,457	555,723	677,422	-21.90%
Total	\$ 9,663,697	10,090,433	94,289	105,457	9,757,986	10,195,890	-4.29%

Long-Term Debt

At June 30, 2013, the District had \$5,705,754 in total long-term debt outstanding. This represents a decrease of 5.86% 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 \$410,000 at June 30, 2013.

The District had outstanding revenue bonds of \$5,135,000 at June 30, 2013.

The District had outstanding early retirement liability of \$20,000 at June 30, 2013.

The District had a net OPEB liability of \$140,754 at June 30, 2013. Governmental activities accounted for \$133,716 and business type activities account for \$7,038.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 410,000	600,000	-	-	410,000	600,000	-46.34%
Revenue bonds	5,135,000	5,330,000	-	-	5,135,000	5,330,000	-3.80%
Net OPEB liability	133,716	106,238	7,038	3,331	140,754	109,569	22.16%
Early Retirement	20,000	-	-	-	20,000	-	100.00%
Total	\$ 5,698,716	6,036,238	7,038	3,331	5,705,754	6,039,569	-5.53%

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:

- On July 1, 2013 IPERS increased to 8.93%, this will increase the Tri-Center Community Schools employer benefit costs during fiscal 2014.
- Ever increasing technology costs, health insurance premiums and salaries and benefits for employees are always a concern for the District.
- District transportation costs are experiencing an increase due to fuel costs, maintaining buses and the Districts 200 square mile daily routes. These costs are currently not offset with state funding.

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.

TRI-CENTER COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,832,953	29,357	1,862,310
Receivables:			
Property tax:			
Delinquent	24,727	-	24,727
Succeeding year	3,087,876	-	3,087,876
Income surtax	253,768	-	253,768
Accounts	-	153	153
Due from other governments	250,322	-	250,322
Inventories	-	26,937	26,937
Capital assets, net of accumulated depreciation	9,663,697	94,289	9,757,986
TOTAL ASSETS	15,113,343	150,736	15,264,079
LIABILITIES			
Accounts payable	222,246	-	222,246
Salaries and benefits payable	756,879	27,511	784,390
Accrued interest payable	293	-	293
Deferred revenue:			
Succeeding year property tax	3,087,876	-	3,087,876
Unearned revenue	-	6,438	6,438
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	200,000	-	200,000
Revenue bonds payable	200,000	-	200,000
Portion due after one year:			
General obligation bonds payable	210,000	-	210,000
Revenue bonds payable	4,935,000	-	4,935,000
Early retirement payable	20,000	-	20,000
Net OPEB liability	133,716	7,038	140,754
TOTAL LIABILITIES	9,766,010	40,987	9,806,997
NET POSITION			
Net investment in capital assets	4,118,697	94,289	4,212,986
Restricted for:			
Categorical funding	128,861	-	128,861
Management levy purposes	171,086	-	171,086
Student activities	56,437	-	56,437
School infrastructure	79,471	-	79,471
Physical plant and equipment	2,021	-	2,021
Debt service	542,502	-	542,502
Unrestricted	248,258	15,460	263,718
TOTAL NET POSITION	\$ 5,347,333	109,749	5,457,082

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 3,501,234	603,149	116,585	(2,781,500)	-	(2,781,500)
Special	857,870	108,431	59,387	(690,052)	-	(690,052)
Other	981,159	180,809	208,177	(592,173)	-	(592,173)
	<u>5,340,263</u>	<u>892,389</u>	<u>384,149</u>	<u>(4,063,725)</u>	<u>-</u>	<u>(4,063,725)</u>
Support services:						
Student	238,865	-	-	(238,865)	-	(238,865)
Instructional staff	451,160	-	-	(451,160)	-	(451,160)
Administration	758,350	-	-	(758,350)	-	(758,350)
Operation and maintenance of plant	833,152	-	-	(833,152)	-	(833,152)
Transportation	625,529	-	4,080	(621,449)	-	(621,449)
	<u>2,907,056</u>	<u>-</u>	<u>4,080</u>	<u>(2,902,976)</u>	<u>-</u>	<u>(2,902,976)</u>
Non-instructional programs:						
Food service programs	7,786	-	-	(7,786)	-	(7,786)
	<u>7,786</u>	<u>-</u>	<u>-</u>	<u>(7,786)</u>	<u>-</u>	<u>(7,786)</u>
Long-term debt interest	240,451	-	-	(240,451)	-	(240,451)
	<u>240,451</u>	<u>-</u>	<u>-</u>	<u>(240,451)</u>	<u>-</u>	<u>(240,451)</u>
Other expenses:						
AEA flowthrough	255,865	-	255,865	-	-	-
Depreciation(unallocated)*	316,205	-	-	(316,205)	-	(316,205)
	<u>572,070</u>	<u>-</u>	<u>255,865</u>	<u>(316,205)</u>	<u>-</u>	<u>(316,205)</u>
Total governmental activities	<u>9,067,626</u>	<u>892,389</u>	<u>644,094</u>	<u>(7,531,143)</u>	<u>-</u>	<u>(7,531,143)</u>
Business type activities:						
Non-instructional programs:						
Nutrition services	385,824	231,209	140,892	-	(13,723)	(13,723)
	<u>385,824</u>	<u>231,209</u>	<u>140,892</u>	<u>-</u>	<u>(13,723)</u>	<u>(13,723)</u>
Total	<u>\$ 9,453,450</u>	<u>1,123,598</u>	<u>784,986</u>	<u>(7,531,143)</u>	<u>(13,723)</u>	<u>(7,544,866)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,727,666	-	2,727,666
Capital outlay				68,018	-	68,018
Debt service				204,230	-	204,230
Income surtax				272,763	-	272,763
Statewide sales, services and use tax				609,820	-	609,820
Unrestricted state grants				3,275,378	-	3,275,378
Unrestricted investment earnings				9,725	76	9,801
Other				124,727	-	124,727
Total general revenues				<u>7,292,327</u>	<u>76</u>	<u>7,292,403</u>
Change in net position				(238,816)	(13,647)	(252,463)
Net position beginning of year				5,586,149	123,396	5,709,545
Net position end of year				<u>\$ 5,347,333</u>	<u>109,749</u>	<u>5,457,082</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Debt			Total
	General	Service	Nonmajor	
ASSETS				
Cash and pooled investments	\$ 932,654	652,748	247,551	1,832,953
Receivables:				
Property tax:				
Delinquent	21,094	1,640	1,993	24,727
Succeeding year	2,606,209	210,685	270,982	3,087,876
Income surtax	253,768	-	-	253,768
Due from other funds	66,329	-	-	66,329
Due from other governments	104,522	-	145,800	250,322
TOTAL ASSETS	\$ 3,984,576	865,073	666,326	5,515,975
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	-	66,329	66,329
Accounts payable	110,360	111,886	-	222,246
Salaries and benefits payable	756,879	-	-	756,879
Deferred revenue:				
Succeeding year property tax	2,606,209	210,685	270,982	3,087,876
Income surtax	253,768	-	-	253,768
Total liabilities	3,727,216	322,571	337,311	4,387,098
Fund balances:				
Restricted for:				
Categorical funding	128,861	-	-	128,861
Management levy purposes	-	-	191,086	191,086
Student activities	-	-	56,437	56,437
School infrastructure	-	-	79,471	79,471
Physical plant and equipment	-	-	2,021	2,021
Debt service	-	542,502	-	542,502
Unassigned	128,499	-	-	128,499
Total fund balances	257,360	542,502	329,015	1,128,877
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,984,576	865,073	666,326	5,515,975

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 24)		\$ 1,128,877
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		9,663,697
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		253,768
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(293)
Long-term liabilities, including general obligation bonds payable revenue bonds payable, other post employment benefits payable and early retirement payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(5,698,716)</u>
Net position of governmental activites(page 22)		<u><u>\$ 5,347,333</u></u>

TRI-CENTER COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Debt Service	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,827,313	204,229	852,876	3,884,418
Tuition	689,429	-	-	689,429
Other	144,691	76	309,291	454,058
State sources	3,661,148	-	-	3,661,148
Federal sources	141,678	-	-	141,678
Total revenues	<u>7,464,259</u>	<u>204,305</u>	<u>1,162,167</u>	<u>8,830,731</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,462,656	-	44,120	3,506,776
Special	856,984	-	-	856,984
Other	680,831	-	294,059	974,890
	<u>5,000,471</u>	<u>-</u>	<u>338,179</u>	<u>5,338,650</u>
Support services:				
Student	238,225	-	-	238,225
Instructional staff	312,869	-	21,218	334,087
Administration	723,414	-	2,770	726,184
Operation and maintenance of plant	772,072	-	55,280	827,352
Transportation	546,660	-	23,357	570,017
	<u>2,593,240</u>	<u>-</u>	<u>102,625</u>	<u>2,695,865</u>
Non-instructional programs:				
Food service programs	-	-	7,786	7,786
Capital outlay	-	-	54,795	54,795
Long-term debt:				
Principal	-	385,000	-	385,000
Interest and fiscal charges	-	241,341	-	241,341
	<u>-</u>	<u>626,341</u>	<u>-</u>	<u>626,341</u>
Other expenditures:				
AEA flowthrough	255,865	-	-	255,865
Total expenditures	<u>7,849,576</u>	<u>626,341</u>	<u>503,385</u>	<u>8,979,302</u>
Excess(Deficiency)of revenues over(under)expenditures	(385,317)	(422,036)	658,782	(148,571)
Other financing sources(uses):				
Transfer in	-	638,265	-	638,265
Transfer out	-	-	(638,265)	(638,265)
Total other financing sources(uses)	<u>-</u>	<u>638,265</u>	<u>(638,265)</u>	<u>-</u>
Net change in fund balances	(385,317)	216,229	20,517	(148,571)
Fund balance beginning of year	<u>642,677</u>	<u>326,273</u>	<u>308,498</u>	<u>1,277,448</u>
Fund balance end of year	<u>\$ 257,360</u>	<u>542,502</u>	<u>329,015</u>	<u>1,128,877</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
 YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds(page 26) \$ (148,571)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposal for the year are as follows:

Capital outlays	\$ 109,086	
Depreciation expense	(469,684)	
Loss on disposal	(66,138)	(426,736)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 385,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (1,921)

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. 890

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

Early retirement	(20,000)	
Other postemployment benefits	\$ (27,478)	(47,478)

Change in net position of governmental activities(page 23) \$ (238,816)

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 29,357
Accounts receivable	153
Inventories	26,937
Capital assets, net of accumulated depreciation	94,289
TOTAL ASSETS	150,736
LIABILITIES	
Salaries and benefits payable	27,511
Unearned revenue	6,438
Net OPEB liability	7,038
TOTAL LIABILITIES	40,987
NET POSITION	
Invested in capital assets	94,289
Unrestricted	15,460
TOTAL NET POSITION	\$ 109,749

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 231,209
Operating expenses:	
Non-instructional programs:	
Salaries	177,650
Benefits	40,392
Services	1,710
Supplies	152,704
Depreciation	13,368
Total operating expenses	385,824
Operating loss	(154,615)
Non-operating revenues:	
State sources	3,146
Federal sources	137,746
Interest on investments	76
Total non-operating revenues	140,968
Change in net position	(13,647)
Net position beginning of year	123,396
Net position end of year	\$ 109,749

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 230,487
Cash payments to employees for services	(212,197)
Cash payments to suppliers for goods or services	(134,420)
Net cash used in operating activities	(116,130)
Cash flows from non-capital financing activities:	
State grants received	3,146
Federal grants received	114,813
Net cash provided by non-capital financing activities	117,959
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,200)
Cash flows from investing activities:	
Interest on investments	76
Net decrease in cash and cash equivalents	(295)
Cash and cash equivalents at beginning of year	29,652
Cash and cash equivalents at end of year	\$ 29,357
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (154,615)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,933
Depreciation	13,368
Increase in inventories	(2,939)
Increase in accounts receivable	(24)
Increase in salaries and benefits payable	2,138
Decrease in unearned revenue	(698)
Increase in other postemployment benefits	3,707
Net cash used in operating activities	\$ (116,130)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$22,933.

SEE NOTES TO FINANCIAL STATEMENTS

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 42,678
LIABILITIES	-
NET POSITION	
Restricted for scholarships	20,025
Unrestricted	22,653
TOTAL NET POSITION	\$ 42,678

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	2,090
Interest income	\$ 739
Total additions	<u>2,829</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,350</u>
Change in net position	1,479
Net position beginning of year	<u>41,199</u>
Net position end of year	<u>\$ 42,678</u>

TRI-CENTER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(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 Position 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position are reported in three categories:

Net Investment in capital assets, 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principle on the District's general long-term debt.

The District reports the following non major proprietary fund.

The 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 position and changes in net position. 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.

When an expenditure is incurred in the governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - 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 Position 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 Position.

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 - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instructional functional area exceeded the amount budgeted and the District also exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 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, 2013, the District had no investments.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 66,329

The Statewide Sales, Services and Use Tax Fund is repaying the General Fund for cash borrowed to pay year end bills.

(4) Interfund Transfers

The detail of interfund transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for the year ended June 30, 2013 is as follows:

Purpose	Amount
Principal and interest payments on July 1, 2009 revenue bonds	\$ 424,210
Reclassification of July 1, 2009 revenue bond sinking and revenue accounts to Debt Service Fund	214,055
Total	\$ 638,265

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	-	-	12,669
Total capital assets not being depreciated	12,669	-	-	12,669
Capital assets being depreciated:				
Buildings	11,211,020	-	-	11,211,020
Land improvements	1,875,935	-	-	1,875,935
Machinery and equipment	2,217,794	109,086	113,343	2,213,537
Total capital assets being depreciated	15,304,749	109,086	113,343	15,300,492
Less accumulated depreciation for:				
Buildings	2,852,114	222,464	-	3,074,578
Land improvements	729,042	93,741	-	822,783
Machinery and equipment	1,645,829	153,479	47,205	1,752,103
Total accumulated depreciation	5,226,985	469,684	47,205	5,649,464
Total capital assets being depreciated, net	10,077,764	(360,598)	66,138	9,651,028
Governmental activities capital assets, net	\$ 10,090,433	(360,598)	66,138	9,663,697

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 167,647	2,200	-	169,847
Less accumulated depreciation	62,190	13,368	-	75,558
Business type activities capital assets, net	\$ 105,457	(11,168)	-	94,289

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 25,481
Other			15,326
Support services:			
Instructional staff			57,285
Administration			9,376
Operation and maintenance of plant			10,659
Transportation			35,352
			<u>153,479</u>
Unallocated depreciation			<u>316,205</u>
Total governmental activities depreciation expense			<u>\$ 469,684</u>
Business type activities:			
Food service operations			<u>\$ 13,368</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 600,000	-	190,000	410,000	200,000
Revenue bonds	5,330,000	-	195,000	5,135,000	200,000
Early Retirement	-	20,000	-	20,000	10,000
Net OPEB liability	106,238	27,478	-	133,716	-
Total	\$ 6,036,238	47,478	385,000	5,698,716	410,000
Business type activities:					
Net OPEB liability	\$ 3,331	3,707	-	7,038	-

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bond indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 5, 2010			
	Interest Rates	Principal	Interest	Total
2014	2.35	200,000	10,685	210,685
2015	2.85	210,000	5,985	215,985
Total		\$ 410,000	16,670	426,670

Revenue Bonds Payable

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2009			
	Interest Rates	Principal	Interest	Total
2014	3.15	200,000	220,623	420,623
2015	3.20	225,000	213,873	438,873
2016	3.40	225,000	206,448	431,448
2017	3.60	240,000	198,303	438,303
2018	3.80	250,000	189,233	439,233
2019-2023	4.00-4.45	1,415,000	778,718	2,193,718
2024-2028	4.65-4.80	1,755,000	418,510	2,173,510
2029-2030	4.85-4.90	825,000	40,938	865,938
Total		\$ 5,135,000	2,266,644	7,401,644

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,510,000 bonds issued July 2009. The bonds were issued for the purpose of paying for building construction. The bonds are payable solely from the proceeds of the statewide sales, services use tax received by the District and are payable through 2030. 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 70% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,401,644. For the current year, principal of \$195,000 and interest of \$228,611 was paid on the bonds and the total statewide sales, services and use tax revenues were \$609,820.

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

- a) \$450,630 of the 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 use for any lawful purpose.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$392,846, \$353,386 and \$305,345, respectively, equal to the required contributions for each year.

(8) 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 81 active and 5 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 43,945
Interest on net OPEB obligation	2,674
Adjustment to annual required contribution	(9,616)
Annual OPEB cost	<u>37,003</u>
Contributions made	(5,818)
Increase in net OPEB obligation	<u>31,185</u>
Net OPEB obligation beginning of year	<u>109,569</u>
Net OPEB obligation end of year	<u>\$ 140,754</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$5,818 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$49,703	26.3%	\$72,561
2012	\$50,356	26.5%	\$109,569
2013	\$37,003	15.7%	\$140,754

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2015, the actuarial accrued liability was \$331,805, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$331,805. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,010,212 and the ratio of the UAAL to covered payroll was 8.27%.

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, 2012 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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$438 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.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$255,865 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2013 is comprised of the following projects:

Program	Amount
Talented and gifted	\$ 23,767
Teacher salary supplement	54,242
Four year old preschool	25,556
Professional development, model core curriculum	25,296
Total	<u>\$ 128,861</u>

(12) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2013, expenditures in the instructional functional area exceeded the amount budgeted and the District also exceeded its General Fund unspent authorized budget.

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,027,905	231,285	5,259,190	5,315,516	5,315,516	(56,326)
State sources	3,661,148	3,146	3,664,294	3,757,574	3,757,574	(93,280)
Federal sources	141,678	137,746	279,424	346,000	346,000	(66,576)
Total revenues	8,830,731	372,177	9,202,908	9,419,090	9,419,090	(216,182)
Expenditures/Expenses:						
Instruction	5,338,650	-	5,338,650	5,290,092	5,290,092	(48,558)
Support services	2,695,865	-	2,695,865	3,138,000	3,288,000	592,135
Non-instructional programs	7,786	385,824	393,610	562,000	562,000	168,390
Other expenditures	937,001	-	937,001	950,416	1,100,000	162,999
Total expenditures/expenses	8,979,302	385,824	9,365,126	9,940,508	10,240,092	874,966
Excess(Deficiency)of revenues over(under)expenditures/expenses	(148,571)	(13,647)	(162,218)	(521,418)	(821,002)	658,784
Other financing sources, net	-	-	-	500	500	500
Excess(Deficiency)of revenues over(under)expenditures/expenses	(148,571)	(13,647)	(162,218)	(520,918)	(820,502)	658,284
Balance beginning of year	1,277,448	123,396	1,400,844	1,019,508	1,019,508	(381,336)
Balance end of year	\$ 1,128,877	109,749	1,238,626	498,590	199,006	1,039,620

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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, the District adopted one budget amendment, increasing budgeted support services expenditures by \$150,000 and increasing other expenditures by \$149,584.

During the year ended June 30, 2013, expenditures in the instruction functional area exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

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%
2011	July 1, 2009	-	\$ 390	390	0.0%	\$ 3,836	10.17%
2012	July 1, 2009	-	\$ 390	390	0.0%	\$ 3,999	9.75%
2013	July 1, 2012	-	\$ 332	332	0.0%	\$ 4,010	8.28%

See Note 8 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 GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue			Total	
	Management	Student	Total	Capital	Nonmajor
	Levy	Activity		Projects	Governmental
					Funds
ASSETS					
Cash and pooled investments	\$ 189,640	56,437	246,077	1,474	247,551
Receivables:					
Property tax:					
Delinquent	1,446	-	1,446	547	1,993
Succeeding year	200,000	-	200,000	70,982	270,982
Due from other governments	-	-	-	145,800	145,800
TOTAL ASSETS	\$ 391,086	56,437	447,523	218,803	666,326
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	-	-	66,329	66,329
Deferred revenue:					
Succeeding year property tax	200,000	-	200,000	70,982	270,982
Total liabilities	200,000	-	200,000	137,311	337,311
Fund balances:					
Restricted for:					
Management levy purposes	191,086	-	191,086	-	191,086
Student activities	-	56,437	56,437	-	56,437
School infrastructure	-	-	-	79,471	79,471
Physical plant and equipment	-	-	-	2,021	2,021
Total fund balances	191,086	56,437	247,523	81,492	329,015
TOTAL LIABILITIES AND FUND BALANCES	\$ 391,086	56,437	447,523	218,803	666,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 175,038	-	175,038	677,838	852,876
Other	4,378	297,363	301,741	7,550	309,291
Total revenues	179,416	297,363	476,779	685,388	1,162,167
Expenditures:					
Current:					
Instruction:					
Regular	44,120	-	44,120	-	44,120
Other	-	294,059	294,059	-	294,059
Support services:					
Instructional staff	-	-	-	21,218	21,218
Administration	1,270	-	1,270	1,500	2,770
Operation and maintenance of plant	55,280	-	55,280	-	55,280
Transportation	23,357	-	23,357	-	23,357
	124,027	294,059	418,086	22,718	440,804
Non-instructional programs:					
Food service operations	7,786	-	7,786	-	7,786
Capital outlay	-	-	-	54,795	54,795
Total expenditures	131,813	294,059	425,872	77,513	503,385
Excess of revenues over expenditures	47,603	3,304	50,907	607,875	658,782
Other financing uses:					
Transfer out	-	-	-	(638,265)	(638,265)
Excess(Deficiency) of revenues and other financing uses over(under) expenditures	47,603	3,304	50,907	(30,390)	20,517
Fund balance beginning of year	143,483	53,133	196,616	111,882	308,498
Fund balance end of year	\$ 191,086	56,437	247,523	81,492	329,015

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ -	1,474	1,474
Receivables:			
Property tax:			
Delinquent	-	547	547
Succeeding year	-	70,982	70,982
Due from other governments	145,800	-	145,800
TOTAL ASSETS	\$ 145,800	73,003	218,803
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 66,329	-	66,329
Deferred revenue:			
Succeeding year property tax	-	70,982	70,982
Total liabilities	66,329	70,982	137,311
Fund balances:			
Restricted for:			
School infrastructure	79,471	-	79,471
Physical plant and equipment	-	2,021	2,021
Total fund balances	79,471	2,021	81,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,471	73,003	218,803

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNIT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 609,820	68,018	677,838
Other	7,540	10	7,550
Total revenues	<u>617,360</u>	<u>68,028</u>	<u>685,388</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	21,218	21,218
Administration	1,500	-	1,500
	<u>1,500</u>	<u>21,218</u>	<u>22,718</u>
Capital outlays	7,695	47,100	54,795
Total expenditures	<u>9,195</u>	<u>68,318</u>	<u>77,513</u>
Excess(Deficiency) of revenues over(under) expenditures	608,165	(290)	607,875
Other financing uses:			
Transfer out	(638,265)	-	(638,265)
Deficiency of revenues under expenditures and other financing uses	(30,100)	(290)	(30,390)
Fund balance beginning of year	109,571	2,311	111,882
Fund balance end of year	<u>\$ 79,471</u>	<u>2,021</u>	<u>81,492</u>

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 849	1,281	1,284	846
Cross Country	34	1,928	1,640	322
Boys Basketball	628	6,500	4,560	2,568
Football	4,087	13,343	12,202	5,228
Boys Soccer	13	1,649	1,587	75
Girls Soccer	20	2,637	2,551	106
Baseball	1,899	4,729	6,051	577
Boys Track	1,103	2,089	2,987	205
Golf	29	3,339	3,117	251
Wrestling	1,740	7,386	6,754	2,372
Girls Basketball	3,754	7,259	7,249	3,764
Volleyball	46	10,013	8,836	1,223
Summer Softball	2,321	1,962	3,523	760
Girls Track	2,053	2,838	4,344	547
Misc Athletics	2,692	5,263	7,660	295
General Activity	1,431	3,531	4,682	280
Class of 2013	2,015	4,278	6,054	239
Book Fair	679	2,327	2,927	79
Flags	7	200	42	165
Leadership	689	6,271	6,897	63
Class of 2014	-	8,308	4,909	3,399
Bowling	46	1,094	1,138	2
Yearbook	2,113	6,830	6,539	2,404
Student Council-Persia	285	850	969	166
Student Council	998	6,087	5,651	1,434
Elementary Student Council	1,872	1,617	1,741	1,748
Musicals	959	6,695	5,721	1,933
TC Store	31	6,427	4,558	1,900
Elementary Yearbook	3	1,873	1,593	283
Special Education Athletics	3,209	2,963	2,989	3,183
High School Cheerleaders	135	5,342	4,304	1,173
Drill Team	4,344	6,984	7,150	4,178
Suess Reading	1,027	1,827	1,992	862
Elementary Art Club	1,587	2,189	1,610	2,166
National Honor Society	521	745	950	316
Astra	579	1,470	1,745	304
FFA	7,700	33,873	32,598	8,975
Vending	405	6,818	5,718	1,505
Band Resale	1,216	5,993	6,720	489
Trojan Fit Club	14	215	177	52
Trip	-	100,340	100,340	-
Total	\$ 53,133	297,363	294,059	56,437

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship			
	Hamann Scholarship	Welbourene Scholarship	Pieper Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 30,238	515	11,925	42,678
LIABILITIES	-	-	-	-
NET POSITION				
Restricted for scholarships	10,025	-	10,000	20,025
Unrestricted	20,213	515	1,925	22,653
TOTAL NET POSITION	\$ 30,238	515	11,925	42,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TRI-CENTER COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship			Total
	Hamann Scholarship	Welbourene Foundation	Pieper Scholarship	
Additions:				
Local sources:				
Gifts and contributions	-	-	2,090	2,090
Interest income	\$ 189	-	550	739
Total additions	189	-	2,640	2,829
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	300	-	1,050	1,350
Change in net position	(111)	-	1,590	1,479
Net position beginning of year	30,349	515	10,335	41,199
Net position end of year	\$ 30,238	515	11,925	42,678

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30, 2013									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,884,418	3,794,268	3,868,868	3,280,365	3,261,605	2,782,176	2,423,778	2,398,369	2,285,136	2,398,384
Tuition	689,429	818,920	857,411	654,007	597,224	645,367	536,115	498,842	526,330	471,937
Other	454,058	394,847	353,723	550,408	506,560	413,074	443,285	357,153	333,558	334,713
Intermediate sources	-	-	-	-	-	-	-	-	18,862	-
State sources	3,661,148	3,768,733	3,512,773	3,192,111	3,794,638	3,941,911	3,611,309	3,373,903	3,099,837	2,945,893
Federal sources	141,678	146,852	518,017	488,544	220,280	175,522	186,544	179,102	314,822	397,216
Total	\$ 8,830,731	8,923,620	9,110,792	8,165,435	8,380,307	7,958,050	7,201,031	6,807,369	6,578,545	6,548,143
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,506,776	3,380,264	3,304,609	3,187,135	3,899,837	3,036,371	2,981,854	2,670,044	2,582,164	2,506,651
Special	856,984	886,296	810,352	781,259	48,258	683,419	632,454	600,306	695,169	606,173
Other	974,890	774,092	747,311	749,792	594,809	718,634	648,224	618,370	520,746	564,314
Support services:										
Student	238,225	234,700	246,667	242,324	222,809	237,700	223,160	221,364	215,521	272,872
Instructional staff	334,087	168,817	223,701	357,346	150,760	142,267	176,587	219,886	188,093	158,631
Administration	726,184	808,543	832,993	772,575	795,844	782,199	844,635	667,394	631,440	576,396
Operation and maintenance of plant	827,352	851,363	871,904	815,439	731,850	741,138	718,495	743,051	578,909	553,285
Transportation	570,017	537,603	498,198	581,469	564,420	490,226	527,941	535,955	386,175	418,434
Non-instructional programs	7,786	6,408	4,200	7,654	6,466	6,564	13,536	5,815	8,907	11,095
Capital outlay	54,795	271,655	1,209,165	4,202,097	382,007	442,003	159,016	934,601	240,274	168,144
Long-term debt:										
Principal	385,000	380,000	370,000	235,000	225,000	295,599	437,550	240,000	287,498	273,521
Interest and fiscal charges	241,341	369,785	264,894	156,888	69,835	65,227	78,178	77,545	114,560	127,779
Other expenditures:										
AEA flow-through	255,865	255,250	284,824	285,263	263,375	256,930	238,260	219,625	204,512	206,915
Total	\$ 8,979,302	8,924,776	9,668,818	12,374,241	7,955,270	7,898,277	7,679,890	7,753,956	6,653,968	6,444,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

We have audited 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tri-Center Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 and correct 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-Center Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Tri-Center Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Tri-Center Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

December 9, 2013

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - handling inventory and maintaining inventory records.
- 4) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Wire transfers - processing and approving.
- 7) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - approval and posting.

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

Response - We will continue to look for ways to improve our segregation of duties.

Conclusion - Response accepted.

I-B-13 Board Policies - We noted during our audit that the District has policies that have not been updated within five years.

Recommendation - Board policies should be reviewed by the Board at a minimum of every five years.

Response - We are currently in the process of reviewing Board policies.

Conclusion - Response accepted.

TRI-CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the certified amounts in the instructional expenditures function. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2013 by approximately \$475,000.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The district should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response - We have contacted the Iowa Department of Education and the School Budget Review Committee (SBRC) regarding these matters. The District has also formulated a plan and scheduled a meeting with the SBRC.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-13 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$	109,571
Revenues:			
Sales tax revenues	\$	609,820	
Other local revenues		7,540	617,360
			<u>726,931</u>
Expenditures/Transfer out:			
School infrastructure construction	\$	7,695	
Other		1,500	
Transfer to other funds:			
Debt service fund		638,265	647,460
			<u>647,460</u>
Ending balance		\$	<u>79,471</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Field Trips - We noted during the audit that the District charged students fees for a music trip and the day the trip was taken was counted in the 180 days of instruction.

The August 14, 2008 Declaratory Ruling issued by the Department of Education, states that "costs associated with field trips may not be passed along to students if the field trip is a part of a class, whether or not attendance is mandatory". It further states "When a field trip is part of a class, the activity is part of instruction, and therefore falls under tuition, not an allowable fee. If the activity is not part of instruction, the field trip should not be taking place during a "day of instruction" unless the day is not counted by the District as one of its 180 days of instruction for students. Therefore, there may be no charge passed along to students for an activity that is even more clearly part of a class activity."

Recommendation - The District should review its policies in regard to charging fees for class trips.

Response - We will review our policies to ensure that field trips taken during a day of instruction will not charge students a fee.

Conclusion - Response accepted

II-N-13 Debt Service Fund - We noted during the audit that the District had excess warrants issued over bank balance of \$12,037 in the Debt Service Fund bank account. This was due to \$16,270 of property tax being incorrectly receipted into Physical Plant and Equipment Fund and the Management Fund in a prior year.

Recommendation - We are requesting that the District make a corrective transfer of \$11,351 from Management Fund to the Debt Service Fund and \$4,919 from the Physical Plant and Equipment Fund to the Debt Service Fund.

Response - We will make the recommended corrective transfer in the current year.

Conclusion - Response accepted.