

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		53-54
Schedule of Findings		55-60

Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kelly Tish	President (resigned September 2012)	2015
Berdette Ogden	Vice President (elected President September 2012)	2013
Justin Leer	Board Member (elected Vice President September 2012)	2015
Gary Bates	Board Member	2013
Jody Schroeder	Board Member	2015
Regina Garber	Board Member (appointed September 2012)	2013
School Officials		
Benita Gonzales	Superintendent	2013
Susan Huls	District Secretary/ Business Manager	2013
Brian Gruhn Law Firm	District Attorney	2013

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Tri-County 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-County Community School District, Thornburg, 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 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-County Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

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 the Retiree Health Plan on pages 7 through 15 and 42 through 44 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 the 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 in accordance with U.S. generally accepted auditing standards, which consisted of inquiries 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 required supplementary 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-County 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 eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented 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 March 25, 2014, on our consideration of Tri-County 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 reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-County 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 \$3,432,057 in fiscal year 2012 to \$3,204,088 in fiscal year 2013, while General Fund expenditures increased from \$2,984,108 in fiscal 2012 to \$3,311,687 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$856,912 in fiscal 2012 to \$749,313 in fiscal 2013.

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-County 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-County 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-County Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor funds.

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

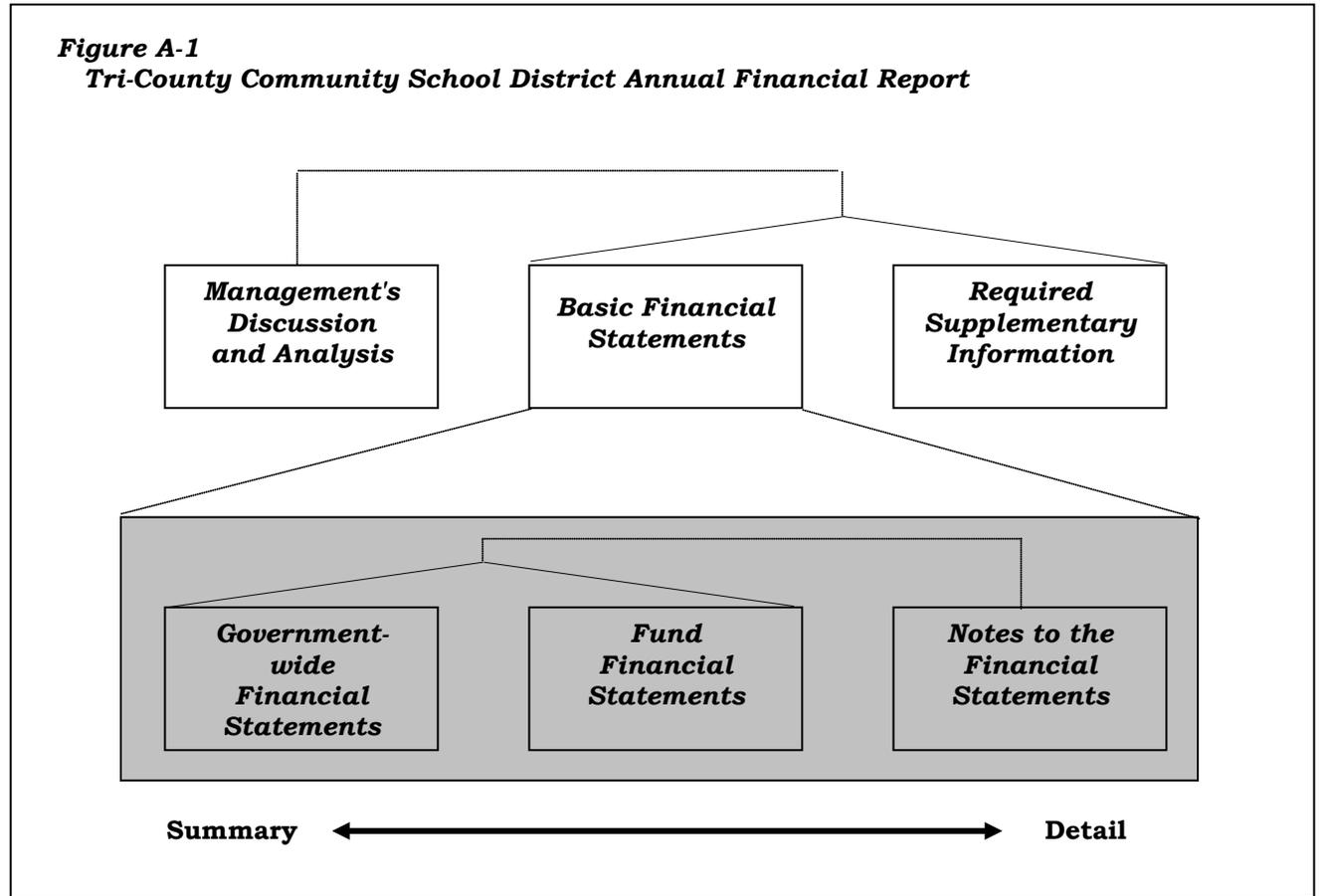


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
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
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
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
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

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 it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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 two kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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 total 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	\$ 3,542,718	3,503,968	2,188	7,601	3,544,906	3,511,569	0.95%
Capital assets	797,831	938,568	18,528	22,726	816,359	961,294	-15.08%
Total assets	4,340,549	4,442,536	20,716	30,327	4,361,265	4,472,863	-2.50%
Long-term obligations	876,293	1,176,819	1,991	2,003	878,284	1,178,822	-25.49%
Other liabilities	1,912,055	1,893,020	15,005	203	1,927,060	1,893,223	1.79%
Total liabilities	2,788,348	3,069,839	16,996	2,206	2,805,344	3,072,045	-8.68%
Net position:							
Invested in capital assets, net of related debt	178,899	127,431	18,528	22,726	197,427	150,157	31.48%
Restricted	813,628	615,056	0	0	813,628	615,056	32.29%
Unrestricted	559,674	630,210	(14,808)	5,395	544,866	635,605	-14.28%
Total net position	\$ 1,552,201	1,372,697	3,720	28,121	1,555,921	1,400,818	11.07%

The District's total net position increased 11.07% over the prior year. The District's net position, invested in capital assets (e.g., land, buildings and equipment), less the related debt, increased by 31.48%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$198,572, or 32.29% over the prior year. The increase in restricted net position can be attributed to the increase in fund balance of the Capital Projects Accounts and Debt Service 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 \$90,739, or 14.28%. The decrease in unrestricted net position can be attributed to the decrease in the fund balance of the General Fund.

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

Figure A-4
Changes in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues :							
Program revenues:							
Charges for services	\$ 233,950	192,803	47,145	52,685	281,095	245,488	14.50%
Operating grants and contributions and restricted interest	296,297	312,475	67,175	74,898	363,472	387,373	-6.17%
General revenues:							
Property tax	1,706,189	1,641,896	0	0	1,706,189	1,641,896	3.92%
Income surtax	129,030	154,851	0	0	129,030	154,851	-16.67%
Statewide sales, services and use tax	234,846	224,812	0	0	234,846	224,812	4.46%
Nonspecific program federal grants	0	34,643	0	0	0	34,643	-100.00%
Unrestricted state grants	1,309,559	1,526,810	0	0	1,309,559	1,526,810	-14.23%
Unrestricted investment earnings	932	695	4	8	936	703	33.14%
Other	11,903	35,070	0	0	11,903	35,070	-66.06%
Total revenues	3,922,706	4,124,055	114,324	127,591	4,037,030	4,251,646	-5.05%
Program expenses:							
Instruction	2,352,622	2,126,295	0	0	2,352,622	2,126,295	10.64%
Support services	1,152,911	1,026,975	13,711	12,571	1,166,622	1,039,546	12.22%
Non-instructional programs	0	0	125,014	121,851	125,014	121,851	2.60%
Other expenses	237,669	253,203	0	0	237,669	253,203	-6.13%
Total expenses	3,743,202	3,406,473	138,725	134,422	3,881,927	3,540,895	9.63%
Change in net position before extraordinary item	179,504	717,582	(24,401)	(6,831)	155,103	710,751	-78.18%
Extraordinary item:							
Reorganization settlement	0	2,390	0	0	0	2,390	-100.00%
Change in net position	179,504	719,972	(24,401)	(6,831)	155,103	713,141	78.25%
Net position beginning of year	1,372,697	652,725	28,121	34,952	1,400,818	687,677	103.70%
Net position end of year	\$ 1,552,201	1,372,697	3,720	28,121	1,555,921	1,400,818	11.07%

In fiscal 2013, property tax and unrestricted state grants account for 76.88% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$4.04 million of which \$3.92 million was for governmental activities and \$0.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 5.05% in revenues and an increase of 9.63% in expenses.

Governmental Activities

Revenues for governmental activities were \$3,922,706 and expenses were \$3,743,202.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,352,622	2,126,295	10.64%	1,934,851	1,733,859	11.59%
Support services	1,152,911	1,026,975	12.26%	1,150,281	1,025,699	12.15%
Other expenses	237,669	253,203	-6.13%	127,823	141,637	-9.75%
Totals	<u>\$ 3,743,202</u>	<u>3,406,473</u>	<u>9.88%</u>	<u>3,212,955</u>	<u>2,901,195</u>	<u>10.75%</u>

- The cost financed by users of the District's programs was \$233,950.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$296,297.
- The net cost of governmental activities was financed with \$1,706,189 in property tax, \$129,030 in income surtax, \$234,846 in statewide sales, services and use tax, \$1,309,559 in unrestricted state grants, \$932 in interest income and \$11,903 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$114,324 and expenses were \$138,725. 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-County 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 \$1,507,992, compared to last year's ending fund balances of \$1,441,713. This was primarily a result of the increase in the fund balance of the Capital Projects Accounts.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Revenues decreased primarily due to a reduction in revenues from state sources. Expenditures increased compared to the prior year primarily due to increases in the instruction functional area. This resulted in a decrease in fund balance of \$107,599 with an ending fund balance of \$749,313.
- The Capital Projects Fund balance increased from \$394,779 at June 30, 2012, to \$508,689 at June 30, 2013. This was the result of slightly increased revenues with decreased spending compared to the prior year.

- The Management Fund balance increased from \$52,188 at June 30, 2012 to a balance of \$77,745 at June 30, 2013. The increase was related to an increase in revenues from local taxes compared to the prior year combined with a decrease in expenses, resulting in an increase in the fund balance of \$25,557.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$28,121 at June 30, 2012 to \$3,720 at June 30, 2013, representing a decrease of 86.77%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$311,921 less than budgeted revenues, a variance of 7.09%. The most significant variance resulted from the District receiving less in local 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 expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$0.82 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$139,268.

The original cost of the District's capital assets was \$4,517,419. Governmental funds account for \$4,446,452 with the remainder of \$70,967 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 \$282,245 at June 30, 2012 compared to \$229,083 at June 30, 2013. This decrease is due to depreciation expense during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 23,205	23,205	0	0	23,205	23,205	0.00%
Buildings	489,564	575,381	0	0	489,564	575,381	-14.91%
Land improvements	74,507	80,463	0	0	74,507	80,463	-7.40%
Machinery and equipment	210,555	259,519	18,528	22,726	229,083	282,245	-18.84%
Total	\$ 797,831	938,568	18,528	22,726	816,359	961,294	-15.08%

Long-Term Debt

At June 30, 2013 the District had \$878,284 in general obligation and other long-term debt outstanding. This represents a decrease of 25.49% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$530,000 from the Debt Service Fund at June 30, 2013.

The District had outstanding capital loan note payable of \$88,932 from the Capital Projects: Physical Plant and Equipment Levy Fund at June 30, 2013.

The District had total outstanding computer lease payable of \$182,029 at June 30, 2013.

The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$6,460.

The District had net OPEB liability payable of \$70,863 at June 30, 2013. Of this \$68,872 is attributable to the governmental activities with the remaining \$1,991 attributable to the business activities of the District.

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	\$ 530,000	695,000	0	0	530,000	695,000	-23.74%
Capital loan notes	88,932	116,137	0	0	88,932	116,137	-23.42%
Computer leases	182,029	300,710	0	0	182,029	300,710	-39.47%
Termination benefits	6,460	6,460	0	0	6,460	6,460	0.00%
Net OPEB liability	68,872	58,512	1,991	2,003	70,863	60,515	17.10%
Total	\$ 876,293	1,176,819	1,991	2,003	878,284	1,178,822	-25.49%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.
- The District continues to experience reductions in enrollment each year and as a result the funds available to the District that are based on enrollment are reduced each year.

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 Dennis Gourley, District Treasurer/Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 1,449,756	538	1,450,294
Receivables:			
Property tax:			
Delinquent	33,057	0	33,057
Succeeding year	1,684,012	0	1,684,012
Income surtax	125,738	0	125,738
Accounts	4,119	0	4,119
Due from other governments	233,036	0	233,036
Due from other funds	13,000	0	13,000
Inventories	0	1,650	1,650
Capital assets, net of accumulated depreciation	797,831	18,528	816,359
Total Assets	4,340,549	20,716	4,361,265
Liabilities			
Due to other funds	0	13,000	13,000
Accounts payable	224,735	0	224,735
Accrued interest payable	3,067	0	3,067
Salaries and benefits payable	71	0	71
Deferred revenue:			
Succeeding year property tax	1,684,012	0	1,684,012
Other	170	0	170
Unearned revenues	0	2,005	2,005
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	170,000	0	170,000
Capital loan note payable	28,390	0	28,390
Computer lease payable	122,064	0	122,064
Termination benefits payable	3,230	0	3,230
Portion due after one year:			
General obligation bonds payable	360,000	0	360,000
Capital loan note payable	60,542	0	60,542
Computer lease payable	59,965	0	59,965
Termination benefits payable	3,230	0	3,230
Net OPEB liability	68,872	1,991	70,863
Total Liabilities	2,788,348	16,996	2,805,344
Net Position			
Invested in capital assets, net of related debt	178,899	18,528	197,427
Restricted for:			
Categorical funding	64,476	0	64,476
Debt Service	111,411	0	111,411
Management levy purposes	71,285	0	71,285
Student activities	57,767	0	57,767
Physical plant and equipment	204,953	0	204,953
School infrastructure	303,736	0	303,736
Unrestricted	559,674	(14,808)	544,866
Total Net Position	\$ 1,552,201	3,720	1,555,921

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,330,594	86,903	38,731	(1,204,960)	0	(1,204,960)
Special	369,196	25,890	14,052	(329,254)	0	(329,254)
Other	652,832	121,157	131,038	(400,637)	0	(400,637)
	<u>2,352,622</u>	<u>233,950</u>	<u>183,821</u>	<u>(1,934,851)</u>	<u>0</u>	<u>(1,934,851)</u>
Support services:						
Student	7,471	0	0	(7,471)	0	(7,471)
Instructional staff	14,981	0	1,869	(13,112)	0	(13,112)
Administration	403,144	0	0	(403,144)	0	(403,144)
Operation and maintenance of plant	440,870	0	0	(440,870)	0	(440,870)
Transportation	286,445	0	761	(285,684)	0	(285,684)
	<u>1,152,911</u>	<u>0</u>	<u>2,630</u>	<u>(1,150,281)</u>	<u>0</u>	<u>(1,150,281)</u>
Long-term debt interest	36,050	0	0	(36,050)	0	(36,050)
Other expenses:						
AEA flowthrough	109,846	0	109,846	0	0	0
Depreciation(unallocated)*	91,773	0	0	(91,773)	0	(91,773)
	<u>201,619</u>	<u>0</u>	<u>109,846</u>	<u>(91,773)</u>	<u>0</u>	<u>(91,773)</u>
Total governmental activities	<u>3,743,202</u>	<u>233,950</u>	<u>296,297</u>	<u>(3,212,955)</u>	<u>0</u>	<u>(3,212,955)</u>
Business Type activities:						
Support services:						
Administration	12,963	0	0	0	(12,963)	(12,963)
Operation and maintenance of plant	748	0	0	0	(748)	(748)
	<u>13,711</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,711)</u>	<u>(13,711)</u>
Non-instructional programs:						
Food service operations	125,014	47,145	67,175	0	(10,694)	(10,694)
Total business type activities	<u>138,725</u>	<u>47,145</u>	<u>67,175</u>	<u>0</u>	<u>(24,405)</u>	<u>(24,405)</u>
Total	\$ <u>3,881,927</u>	<u>281,095</u>	<u>363,472</u>	<u>(3,212,955)</u>	<u>(24,405)</u>	<u>(3,237,360)</u>
General Revenues:						
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,459,648	0		1,459,648
Capital outlay			56,316	0		56,316
Debt service			190,225	0		190,225
Income surtax			129,030	0		129,030
Statewide sales, services and use tax			234,846	0		234,846
Unrestricted state grants			1,309,559	0		1,309,559
Unrestricted investment earnings			932	4		936
Other			11,903	0		11,903
Total general revenues			<u>3,392,459</u>	<u>4</u>		<u>3,392,463</u>
Changes in net position			179,504	(24,401)		155,103
Net position beginning of year			<u>1,372,697</u>	<u>28,121</u>		<u>1,400,818</u>
Net position end of year			\$ <u>1,552,201</u>	<u>3,720</u>		<u>1,555,921</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Manage- ment Levy	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 630,818	575,642	73,258	170,038	1,449,756
Receivables:					
Property tax:					
Delinquent	23,773	1,082	4,487	3,715	33,057
Succeeding year	936,883	56,824	500,000	190,305	1,684,012
Income surtax	83,825	41,913	0	0	125,738
Accounts	4,119	0	0	0	4,119
Due from other funds	194,627	0	0	0	194,627
Due from other governments	119,412	113,624	0	0	233,036
Total Assets	\$ 1,993,457	789,085	577,745	364,058	3,724,345
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 0	181,627	0	0	181,627
Accounts payable	223,195	32	0	1,508	224,735
Salaries and benefits payable	71	0	0	0	71
Deferred revenue:					
Succeeding year property tax	936,883	56,824	500,000	190,305	1,684,012
Income surtax	83,825	41,913	0	0	125,738
Other	170	0	0	0	170
Total liabilities	1,244,144	280,396	500,000	191,813	2,216,353
Fund balances:					
Restricted for:					
Categorical funding	64,476	0	0	0	64,476
School infrastructure	0	303,736	0	0	303,736
Physical plant and equipment	0	204,953	0	0	204,953
Management levy purposes	0	0	77,745	0	77,745
Student activities	0	0	0	57,767	57,767
Debt service	0	0	0	114,478	114,478
Unassigned:					
General	684,837	0	0	0	684,837
Total fund balances	749,313	508,689	77,745	172,245	1,507,992
Total Liabilities and Fund Balances	\$ 1,993,457	789,085	577,745	364,058	3,724,345

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY 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 20)	\$	1,507,992
 <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 report as assets in the governmental funds.		797,831
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		125,738
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(3,067)
Long-term liabilities, including general obligation bonds payable, capital loan note payable, computer lease payable, termination benefits payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(876,293)</u>
Net position of governmental activities(page 18)	\$	<u>1,552,201</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Manage- ment Levy	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,467,427	335,571	125,447	190,225	2,118,670
Tuition	81,779	0	0	0	81,779
Other	44,260	191	5,183	116,267	165,901
State sources	1,478,277	0	0	0	1,478,277
Federal sources	126,684	0	0	0	126,684
Total revenues	<u>3,198,427</u>	<u>335,762</u>	<u>130,630</u>	<u>306,492</u>	<u>3,971,311</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,331,209	294	0	0	1,331,503
Special	372,676	0	0	0	372,676
Other	493,898	0	0	133,099	626,997
	<u>2,197,783</u>	<u>294</u>	<u>0</u>	<u>133,099</u>	<u>2,331,176</u>
Support services:					
Student	5,571	0	0	0	5,571
Instructional staff	15,620	0	0	0	15,620
Administration	403,375	0	0	0	403,375
Operation and maintenance of plant	324,182	1,047	105,101	0	430,330
Transportation	255,282	0	0	0	255,282
	<u>1,004,030</u>	<u>1,047</u>	<u>105,101</u>	<u>0</u>	<u>1,110,178</u>
Capital outlay	0	10,516	0	0	10,516
Long-term debt:					
Principal	0	0	0	310,886	310,886
Interest and fiscal charges	0	0	0	38,091	38,091
	<u>0</u>	<u>0</u>	<u>0</u>	<u>348,977</u>	<u>348,977</u>
Other expenditures:					
AEA flowthrough	109,846	0	0	0	109,846
Total expenditures	<u>3,311,659</u>	<u>11,857</u>	<u>105,101</u>	<u>482,076</u>	<u>3,910,693</u>
Excess(deficiency) of revenues over(under) expenditures	(113,232)	323,905	25,529	(175,584)	60,618
Other financing sources(uses):					
Proceeds from disposal	5,661	0	0	0	5,661
Transfer in	0	0	28	209,995	210,023
Transfer out	(28)	(209,995)	0	0	(210,023)
Total other financing sources(uses)	<u>5,633</u>	<u>(209,995)</u>	<u>28</u>	<u>209,995</u>	<u>5,661</u>
Net change in fund balances	(107,599)	113,910	25,557	34,411	66,279
Fund balances beginning of year	856,912	394,779	52,188	137,834	1,441,713
Fund balance end of year	<u>\$ 749,313</u>	<u>508,689</u>	<u>77,745</u>	<u>172,245</u>	<u>1,507,992</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY 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 22) \$ 66,279

**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 current depreciation and capital outlay expenditures in the current year, are as follows:

Loss on disposal	\$ (5,667)	
Depreciation expense	<u>(135,070)</u>	(140,737)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (48,605)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.

Repaid 310,886

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. 2,041

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.

Net OPEB liability (10,360)

Changes in net position of governmental activities(page 19) \$ 179,504

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 538
Inventories	1,650
Capital assets, net of accumulated depreciation	<u>18,528</u>
Total Assets	<u>20,716</u>
Liabilities	
Due to other funds	13,000
Unearned revenue	2,005
Net OPEB liability	<u>1,991</u>
Total Liabilities	<u>16,996</u>
Net Position	
Invested in capital assets	18,528
Unrestricted	<u>(14,808)</u>
Total Net Position	<u>\$ 3,720</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 47,145
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	8,501
Benefits	4,462
	12,963
Operation and maintenance of plant:	
Services	748
Total support services	13,711
Non-instructional programs:	
Food service operations:	
Salaries	47,411
Benefits	13,718
Services	1,832
Supplies	57,410
Other	445
Depreciation	4,198
	125,014
TOTAL OPERATING EXPENSES	138,725
OPERATING LOSS	(91,580)
NON-OPERATING REVENUES:	
State sources	1,110
Federal sources	66,065
Interest income	4
TOTAL NON-OPERATING REVENUES	67,179
Changes in net position	(24,401)
Net position beginning of year	28,121
Net position end of year	\$ 3,720

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY 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	\$ 49,097
Cash payments to employees for services	(74,104)
Cash payments to suppliers for goods or services	(53,596)
Net cash used in operating activities	(78,603)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	13,000
State grants received	1,110
Federal grants received	58,384
Net cash provided by non-capital financing activities	72,494
Cash flows from investing activities:	
Interest on investment	4
Net decrease in cash and cash equivalents	(6,105)
Cash and cash equivalents at beginning of year	6,643
Cash and cash equivalents at end of year	\$ 538
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (91,580)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	7,681
Depreciation	4,198
Increase in inventories	(692)
Decrease in accounts payable	(150)
Increase in unearned revenue	1,952
Decrease in other postemployment benefits	(12)
Net cash used in operating activities	\$ (78,603)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR

During the year ended June 30, 2013 the District received Federal commodities valued at \$7,681.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The Tri-County 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 Keswick, Gibson, Thornburg and What Cheer, Iowa, and the predominate agricultural territory in Iowa, Keokuk, Mahaska and Poweshiek County. 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-County 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-County 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 Iowa, Keokuk, Mahaska and Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

Restricted net 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 that are imposed by management, but can be removed or modified.

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Fund is used to account for resources used to pay the costs of unemployment benefits, termination benefits, insurance agreements and liability insurance.

The District reports the following nonmajor proprietary funds:

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

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 position 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 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

revenues of the District's enterprise funds are 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1% per month penalty for delinquent payments; is based on January 1, 2011 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, machinery 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Life (In Years)
Buildings	20 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

Deferred revenue on the Statement of Net 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 in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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 use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by federal depository insurance or 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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$55,360 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	\$ 177,957
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	32,038
General Fund	Management Levy Fund	28
		<u>\$ 210,023</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax and the Capital Projects: Physical Plant and Equipment Levy Funds to the Debt Service fund was needed to make the payments on the District's computer lease and capital loan indebtedness.

The transfer from the Management Levy Fund to the General Fund was to correct tax revenue recorded in the incorrect fund.

(4) Interfund Payables

The detail of the interfund payables for the year ended June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
	Capital Projects:	
	Statewide Sales,	
General	Services and Use Tax	\$ 177,958
	Capital Projects:	
	Physical Plant and	
General	Equipment Levy	3,669
General	School Nutrition	13,000
		<u>\$ 194,627</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the General Fund for debt payments incorrectly paid from the General Fund.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the General Fund for income surtax incorrectly recorded.

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid to Nutrition Fund workers.

(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	\$ 23,205	0	0	23,205
Total capital assets not being depreciated	23,205	0	0	23,205
Capital assets being depreciated:				
Buildings	3,264,810	0	0	3,264,810
Land improvements	229,220	0	0	229,220
Machinery and equipment	1,032,317	0	103,100	929,217
Total capital assets being depreciated	4,526,347	0	103,100	4,423,247
Less accumulated depreciation for:				
Buildings	2,689,429	85,817	0	2,775,246
Land improvements	148,757	5,956	0	154,713
Machinery and equipment	772,798	43,297	97,433	718,662
Total accumulated depreciation	3,610,984	135,070	97,433	3,648,621
Total capital assets being depreciated, net	915,363	(135,070)	5,667	774,626
Governmental activities capital assets, net	\$ 938,568	(135,070)	5,667	797,831
Business type activities:				
Machinery and equipment	\$ 70,967	0	0	70,967
Less accumulated depreciation	48,241	4,198	0	52,439
Business type activities capital assets, net	\$ 22,726	(4,198)	0	18,528

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 13,480
Support services:	
Instructional	1,900
Administration	1,520
Transportation	26,397
	<u>43,297</u>
Unallocated depreciation	<u>91,773</u>
Total governmental activities depreciation expense	<u>\$ 135,070</u>
Business type activities:	
Food service operations	<u>\$ 4,198</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt 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	\$ 695,000	0	165,000	530,000	170,000
Capital loan note	116,137	0	27,205	88,932	28,390
Computer lease	300,710	0	118,681	182,029	122,064
Termination benefits	6,460	0	0	6,460	3,230
Net OPEB liability	58,512	10,360	0	68,872	0
Total	<u>\$ 1,176,819</u>	<u>10,360</u>	<u>310,886</u>	<u>876,293</u>	<u>323,684</u>
Business type activities:					
Net OPEB liability	\$ 2,003	0	12	1,991	0

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education.

Early retirement incentives are based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee has more than 25 consecutive years, they will be entitled to an additional \$1,500 for five years.

At June 30, 2013, the District has an obligation to one participant with a total liability of \$6,460. Early retirement benefits paid during the year ended June 30, 2013, totaled \$0.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of August 1, 2003				
	Interest Rates	Principal	Interest	Total	
2014	3.60 %	\$ 170,000	19,805	189,805	
2015	3.75	175,000	13,685	188,685	
2016	3.85	185,000	7,122	192,122	
Subtotal		\$ 530,000	40,612	570,612	

Capital Loan Note Payable

During the year ended June 30, 2012, the District issued \$143,452 of capital loan notes to finance a new roof.

Details of the District's June 30, 2013 capital loan note indebtedness are as follows:

Year Ending June 30,	Loan Note of July 15, 2011				
	Interest Rates	Principal	Interest	Total	
2014	4.25 %	\$ 28,390	3,531	31,921	
2015	4.25	29,627	2,294	31,921	
2016	4.25	30,915	1,006	31,921	
Subtotal		\$ 88,932	6,831	95,763	

Computer Lease Payable

Details of the District's June 30, 2013 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease of October 26, 2010				Computer lease of November 23, 2010				
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	1.88 %	\$ 18,343	434	2.81 %	\$ 99,942	4,232			
2015	1.88	9,301	87	2.81	50,664	1,423			
Total		\$ 27,644	521		\$ 150,606	5,655			

Year Ending June 30,	Computer lease of January 6, 2011				Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total	
2014	8.99 %	\$ 3,779	340	122,064	5,006	127,070	
2015		-	-	59,965	1,510	61,475	
Total		\$ 3,779	340	182,029	6,516	188,545	

(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 salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$155,980, \$145,903, and \$137,470 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 32 active and 1 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 result 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 and unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 13,264
Interest on net OPEB obligation	1,513
Adjustment to annual required contribution	(3,481)
Annual OPEB cost	<u>11,296</u>
Contributions made	<u>(948)</u>
Increase in net OPEB obligation	10,348
Net OPEB obligation beginning of year	<u>60,515</u>
 Net OPEB obligation end of year	 <u><u>\$ 70,863</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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	\$ 32,179	37.29%	\$ 43,179
2012	32,336	46.39%	60,515
2013	11,296	8.39%	70,863

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$98,442, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$98,442. The covered payroll (annual payroll of active employees covered by the plan) was \$1,316,224, and the ratio of the UAAL to covered payroll was 7.48%. As of June 30, 2013 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event 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, will present 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 July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan range from \$384.69 for single under the \$100 deductible plan, \$329.23 for single to \$889.84 for family under the \$750 deductible plan, \$310.82 for single to \$840.08 for family under the \$1,250 deductible plan, from \$271.27 for single to \$733.18 for family under the \$2,000 deductible plan. Upon retirement, the retired participant is assumed to pay 100% of the required premium.

(9) Risk Management

The 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 \$109,846 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Statewide voluntary preschool	\$ 16,095
Beginning teacher mentoring	207
Teacher salary supplement	28,934
Core curriculum	6,342
Professional development	12,898
Total	<u>\$ 64,476</u>

(12) Deficit Unrestricted Net Position

The District had a deficit unrestricted net position of \$14,808 in the School Nutrition Fund at June 30, 2013.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY 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
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,366,350	47,149	2,413,499	2,619,678	2,619,678	(206,179)
State sources	1,478,277	1,110	1,479,387	1,552,878	1,552,878	(73,491)
Federal sources	126,684	66,065	192,749	225,000	225,000	(32,251)
Total revenues	<u>3,971,311</u>	<u>114,324</u>	<u>4,085,635</u>	<u>4,397,556</u>	<u>4,397,556</u>	<u>(311,921)</u>
Expenditures/Expenses:						
Instruction	2,331,176	0	2,331,176	2,723,810	2,723,810	392,634
Support services	1,110,178	13,711	1,123,889	1,182,816	1,182,816	58,927
Non-instructional programs	0	125,014	125,014	151,447	151,447	26,433
Other expenditures	469,339	0	469,339	677,545	677,545	208,206
Total expenditures/expenses	<u>3,910,693</u>	<u>138,725</u>	<u>4,049,418</u>	<u>4,735,618</u>	<u>4,735,618</u>	<u>686,200</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	60,618	(24,401)	36,217	(338,062)	(338,062)	374,279
Other financing sources, net	<u>5,661</u>	<u>0</u>	<u>5,661</u>	<u>0</u>	<u>0</u>	<u>5,661</u>
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	66,279	(24,401)	41,878	(338,062)	(338,062)	379,940
Balance beginning of year	<u>1,441,713</u>	<u>28,121</u>	<u>1,469,834</u>	<u>598,320</u>	<u>598,320</u>	<u>871,514</u>
Balance end of year	<u>\$ 1,507,992</u>	<u>3,720</u>	<u>1,511,712</u>	<u>260,258</u>	<u>260,258</u>	<u>1,251,454</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 215,000	\$ 215,000	0.00%	\$ 2,736,818	7.86%
2011	July 1, 2009	0	215,000	215,000	0.00%	1,977,984	10.87%
2012	July 1, 2009	0	215,000	215,000	0.00%	1,807,973	11.89%
2013	July 1, 2012	0	98,442	98,442	0.00%	1,316,224	7.48%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Student Activity	Debt Service	Total
Assets			
Cash and pooled investments	\$ 59,275	110,763	170,038
Receivables:			
Property tax:			
Delinquent	0	3,715	3,715
Succeeding year	0	190,305	190,305
Total Assets	\$ 59,275	304,783	364,058
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,508	0	1,508
Deferred revenue:			
Succeeding year property tax	0	190,305	190,305
Total liabilities	1,508	190,305	191,813
Fund balances:			
Restricted for:			
Student activities	57,767	0	57,767
Debt service	0	114,478	114,478
Total fund balances	57,767	114,478	172,245
Total Liabilities and Fund Balances	\$ 59,275	304,783	364,058

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	<u>Special</u>		
	<u>Revenue</u>		
	Student	Debt	
	Activity	Service	Total
Revenues:			
Local sources:			
Local tax	\$ 0	190,225	190,225
Other	116,176	91	116,267
Total revenues	<u>116,176</u>	<u>190,316</u>	<u>306,492</u>
Expenditures:			
Current:			
Instruction:			
Other	133,099	0	133,099
Long-term debt:			
Principal	0	310,886	310,886
Interest	0	38,091	38,091
Total expenditures	<u>133,099</u>	<u>348,977</u>	<u>482,076</u>
Deficiency of revenues under expenditures	(16,923)	(158,661)	(175,584)
Other financing sources:			
Transfer in	0	209,995	209,995
Net change in fund balances	(16,923)	51,334	34,411
Fund balances beginning of the year	<u>74,690</u>	<u>63,144</u>	<u>137,834</u>
Fund balances end of year	<u>\$ 57,767</u>	<u>114,478</u>	<u>172,245</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY 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	\$ 368,070	207,572	575,642
Receivables:			
Property tax:			
Delinquent	0	1,082	1,082
Succeeding year	0	56,824	56,824
Income surtax	0	41,913	41,913
Due from other governments	113,624	0	113,624
Total Assets	\$ 481,694	307,391	789,085
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 177,958	3,669	181,627
Accounts payable	0	32	32
Deferred revenue:			
Succeeding year property tax	0	56,824	56,824
Income surtax	0	41,913	41,913
Total liabilities	177,958	102,438	280,396
Fund balances:			
Restricted for:			
School infrastructure	303,736	0	303,736
Physical plant and equipment	0	204,953	204,953
Total fund balances	303,736	204,953	508,689
Total Liabilities and Fund Balances	\$ 481,694	307,391	789,085

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT 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	\$ 234,846	100,725	335,571
Other	30	161	191
Total revenues	234,876	100,886	335,762
Expenditures:			
Current:			
Instruction:			
Regular	0	294	294
Support services:			
Operation and maintenance of plant	0	1,047	1,047
Capital outlay	4,576	5,940	10,516
Total expenditures	4,576	7,281	11,857
Excess of revenues over expenditures	230,300	93,605	323,905
Other financing uses			
Transfer out	(177,957)	(32,038)	(209,995)
Net change in fund balances	52,343	61,567	113,910
Fund balances beginning of year	251,393	143,386	394,779
Fund balances end of year	\$ 303,736	204,953	508,689

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY 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 Change	Balance End of Year
Drama	\$ 2,733	1,434	2,244	0	1,923
Inst/vocal trip	4,293	1,527	2,276	0	3,544
High school vocal fund	(97)	0	224	321	0
Future business leaders of America	625	0	0	(625)	0
Athletic resale	4,166	23,153	19,259	(1,974)	6,086
Athletic non resale	8,440	4,085	40,385	27,860	0
Athletic gate receipts	7,111	20,441	1,597	(25,955)	0
P.C. fund	753	281	0	0	1,034
Student interest	6	59	0	0	65
Student petty cash	46	0	0	0	46
Home ec resale	82	0	0	(82)	0
Student council	2,170	1,483	1,069	0	2,584
TAG	1,330	0	1,330	0	0
Cheerleading	3,038	4,033	7,089	18	0
Dance squad	205	385	192	0	398
National honor society	1,736	745	879	0	1,602
Spanish club	1,589	0	1,589	0	0
Athletics candy fundraiser	132	0	132	0	0
JH miscellaneous	1,884	0	975	0	909
Annual 2008-09	1,007	0	2,067	1,060	0
Class of 2012	686	0	0	(686)	0
Class of 2013	3,335	11,522	14,908	51	0
Class of 2014	4,959	6,882	4,631	0	7,210
Class of 2015	424	2,297	0	0	2,721
Class of 2016	0	1,541	0	0	1,541
Class of 2017	0	912	656	686	942
FCCLA	600	3,751	2,404	707	2,654
Trojan annual	4,154	4,500	109	(1,060)	7,485
FFA	7,741	16,178	17,001	0	6,918
Horticulture	1,292	1,512	1,135	0	1,669
Instrument resale	1,716	63	225	(321)	1,233
Shop resale	400	0	25	0	375
Elementary Trojans	1,173	1,299	1,325	0	1,147
Elementary fund raisers	6,961	8,093	9,373	0	5,681
Total	\$ 74,690	116,176	133,099	0	57,767

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY 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	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,118,670	2,034,364	1,799,952	1,710,225	1,589,720	1,480,082	1,558,501	1,505,041	1,500,142	1,301,036
Tuition	81,779	20,591	114,737	55,460	45,330	99,472	71,744	97,048	83,664	82,026
Other	165,901	208,277	200,676	210,029	239,005	235,323	292,229	271,836	237,375	374,256
State sources	1,478,277	1,697,115	1,516,565	1,419,810	1,757,254	1,685,116	1,579,975	1,602,663	1,464,820	1,389,719
Federal sources	126,684	176,513	193,575	289,583	139,586	122,882	126,530	133,778	106,165	146,322
Total	\$ 3,971,311	4,136,860	3,825,505	3,685,107	3,770,895	3,622,875	3,628,979	3,610,366	3,392,166	3,293,359
Expenditures:										
Instruction:										
Regular	\$ 1,331,503	1,257,067	1,742,665	1,359,485	1,358,594	1,378,382	1,273,126	1,159,799	1,263,162	1,187,384
Special	372,676	270,907	362,728	406,540	404,524	489,216	485,136	491,618	411,429	466,193
Other	626,997	606,898	680,156	619,654	584,454	368,264	378,135	340,554	392,457	366,542
Support services:										
Student	5,571	3,115	3,200	5,138	1,754	18,750	31,031	57,696	55,533	53,985
Instructional staff	15,620	39,340	28,838	47,860	49,453	57,315	62,312	65,420	25,097	21,535
Administration	403,375	342,572	403,479	300,081	368,835	383,751	323,994	335,427	380,622	364,691
Operation and maintenance of plant	430,330	373,703	407,071	375,102	358,536	364,777	330,843	316,066	294,170	271,571
Transportation	255,282	228,842	236,129	241,110	234,187	219,808	272,527	200,568	228,497	211,904
Non-instructional programs	0	0	0	150	0	7,608	19,554	20,641	32,054	23,742
Capital outlay	10,516	157,699	92,659	76,121	217,403	190,462	157,535	92,957	54,543	56,246
Long-term debt:										
Principal	310,886	297,720	155,000	150,000	145,000	140,000	135,000	130,000	125,000	130,000
Interest and fiscal charges	38,091	47,300	35,940	40,390	44,392	50,563	55,743	59,867	65,268	61,134
Other expenditures:										
AEA flowthrough	109,846	111,566	126,091	126,997	119,869	114,659	110,869	106,737	106,686	108,892
Total	\$ 3,910,693	3,736,729	4,273,956	3,748,628	3,887,001	3,783,555	3,635,805	3,377,350	3,434,518	3,323,819

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report 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-County Community School District:

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental 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-County 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 March 25, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be 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 misstatement 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 material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 through I-F-13 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County 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-County Community School District's Responses to Findings

Tri-County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Tri-County Community School District's responses 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 on 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-County 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.

March 25, 2014
Newton, Iowa

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

Part I: Findings Related to the 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. We noted that the following areas had individuals performing incompatible duties for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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

Response - We will continue to review our procedures and make adjustments as necessary.

Conclusion - Response accepted.

I-B-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders being completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approval of the items being purchased is noted prior to the item being purchased. In addition when the items are approved and the purchase order is properly generated, it is reflected on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders to determine if funding is still available to make future purchases.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes be made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review our purchase order system and make necessary changes.

Conclusion - Response accepted.

I-C-13 Gate Admissions - We noted pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small.
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.
- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.

Response - The District will review our procedures and make adjustments as necessary.

Conclusion - Response accepted.

I-D-13 Checks Written as Bearer Paper - We noted during our audit that the District is writing checks to the bank which are later cashed for change box money.

Recommendation - Checks made out to the bank are considered bearer paper and in the event the check would be lost or stolen, anyone in possession of the check would be able to cash it. A better practice would be to make the check payable to the custodian who is taking the check to the bank.

Response - The District will make the check payable to the custodian who is taking the check to the bank.

Conclusion - Response accepted.

I-E-13 Termination Benefits - We noted during the audit that the District missed a payment of \$1,615 on an installment plan to a former employee for early retirement.

Recommendation - The District should review its record keeping process to ensure that the District is aware of and pays all obligations against the District.

Response - The District will review its record keeping process to ensure that all obligations are paid.

Conclusion - Response accepted.

I-F-13 Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by non-certified coaches and other non-certified staff.

Recommendation - In order to comply with Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for the non-certified coaches and staff. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will review our procedures and make adjustments as necessary.

Conclusion - Response accepted.

OTHER MATTERS:

I-G-13 Commodity Pricing - We noted during the audit that the processed commodities in the inventory of the School Nutrition Fund were being priced at an incorrect amount.

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

Response - We will use the correct prices for the inventory value at year end.

Conclusion - Response accepted.

TRI-COUNTY 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 did not exceed the certified budget.
- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-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 - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Schroeder, Board Member Spouse owns Schroeder's Service	Repairs	\$4,603
Father-in-law owns Schroeder Frame and Alignment LLC	Repairs	\$393
Berdette Ogden, Board Member Spouse owns Ogden Oil Company	Fuel	\$74,305

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the relatives of Jody Schroeder and Bardette Ogden do not appear to represent a conflict of interest.

- 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 - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variance 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 certified timely to the Department of Education.

II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other 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.3 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	251,393
Revenues:			
Sales tax revenues	\$	234,846	
Reorganization settlement		30	234,876
			<u>486,269</u>
Expenditures/transfers out:			
Other		4,576	
Transfers to other funds:			
Debt service fund		177,957	182,533
			<u>182,533</u>
Ending balance		\$	<u>303,736</u>

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

II-M-13 Financial Condition - The District's School Nutrition Fund had a deficit unrestricted net position of \$14,808.

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

Response - The District will monitor this fund and investigate alternatives to eliminate the deficit unrestricted net position.

Conclusion - Response accepted.

II-N-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts and revenues/ expenses within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned accounts are as follows:

Student Interest: We noted the District is maintaining an account called Student Interest in the Activity Fund, which is being used to record interest earned on the Student Activity Fund.

Recommendation - Interest earned on money in the Student Activity Fund should be allocated on at least a yearly basis to the accounts that are earning the interest.

Response - The District will allocate the interest earned to the accounts that are earning the interest at least annually.

Conclusion - Response accepted.

Resale Accounts: We noted numerous resale accounts within the Student Activity Fund.

Recommendation - It appears that the resale accounts are associated with a different group within the Activity Fund. If this is the case the resale account should be combined with the primary account and all revenues and expenses associated with the group should be run through one account.

Response - The District will combine the resale accounts and run all revenues and expenses associated with the group through the combined account(s).

Conclusion - Response accepted.

Petty Cash: We noted an account that is referred to as Student petty cash. It does not appear that this is associated with a particular group and it appears that this is an administratively maintained account.

Recommendation - Accounts in the Student Activity Fund should be associated with a specific group. The District should investigate where the money initially came from and determine the appropriate use of the funds.

Response - The District will investigate where the money initially came from and determine the appropriate use of funds.

Conclusion - Response accepted.

Book Fairs: We noted Scholastic Book Fairs were being maintained in the Student Activity Fund with the proceeds being used to buy books for the library.

Recommendation - Iowa Administrative Code 281-98.60 states that the Student Activity Fund is not to be used as a clearing account for any other fund. Due to the Book Fairs not being associated with any of the groups recorded in the Student Activity Fund in addition to the books purchased being an instructional item, it would appear the Scholastic Book Fair would be more appropriate in the General Fund.

Response - The District will review all donations and expenditures and record them in the appropriate funds.

Conclusion - Response accepted.

II-O-13 Payroll Authorization - We noted during our audit that the District does not have authorization per Chapter 91A.3 of the Code of Iowa to physically mail employee's payroll checks through the U.S. mail.

Recommendation - If the District wishes to continue to give employees the option of payroll checks being mailed to them, the District should establish procedures to ensure written authorization prior to payroll checks being mailed.

Response - The District will obtain written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.