

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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**Twin Rivers Community School District**

**Officials**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
<b>Board of Education</b>		
Tom Olson	President	2013
Sharon Berte	Vice President	2015
Judy Fredin	Board Member (Resigned April 2013)	2015
Kris Landolt	Board Member (Appointed May 2013)	2013
Bryon How	Board Member	2013
Christine Bothne	Board Member	2015
<b>School Officials</b>		
Greg Darling	Superintendent	2013
Rhiannon Lange	District Secretary	2013
Annie Rathke	Finance Director/ District Treasurer	2013
Lisa Thul	Assistant Finance Manager	2013
Ahlers & Cooney, P.C.	Attorney	2013

**TWIN RIVERS 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 Twin Rivers 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 Twin Rivers Community School District, Bode, 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 Twin Rivers 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.

## **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 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 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 Twin Rivers Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 21, 2014 on our consideration of Twin Rivers Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 in considering Twin Rivers Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Twin Rivers Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,102,358 in fiscal 2012 to \$2,087,893 in fiscal 2013, while General Fund expenditures decreased from \$2,040,893 in fiscal 2012 to \$1,847,342 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$1,235,389 in fiscal 2012 to a balance of \$1,475,940 in fiscal 2013, a 19.47% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources in fiscal 2013. The decrease in expenditures was due primarily to a decrease in expenditures in the support services functional area as compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

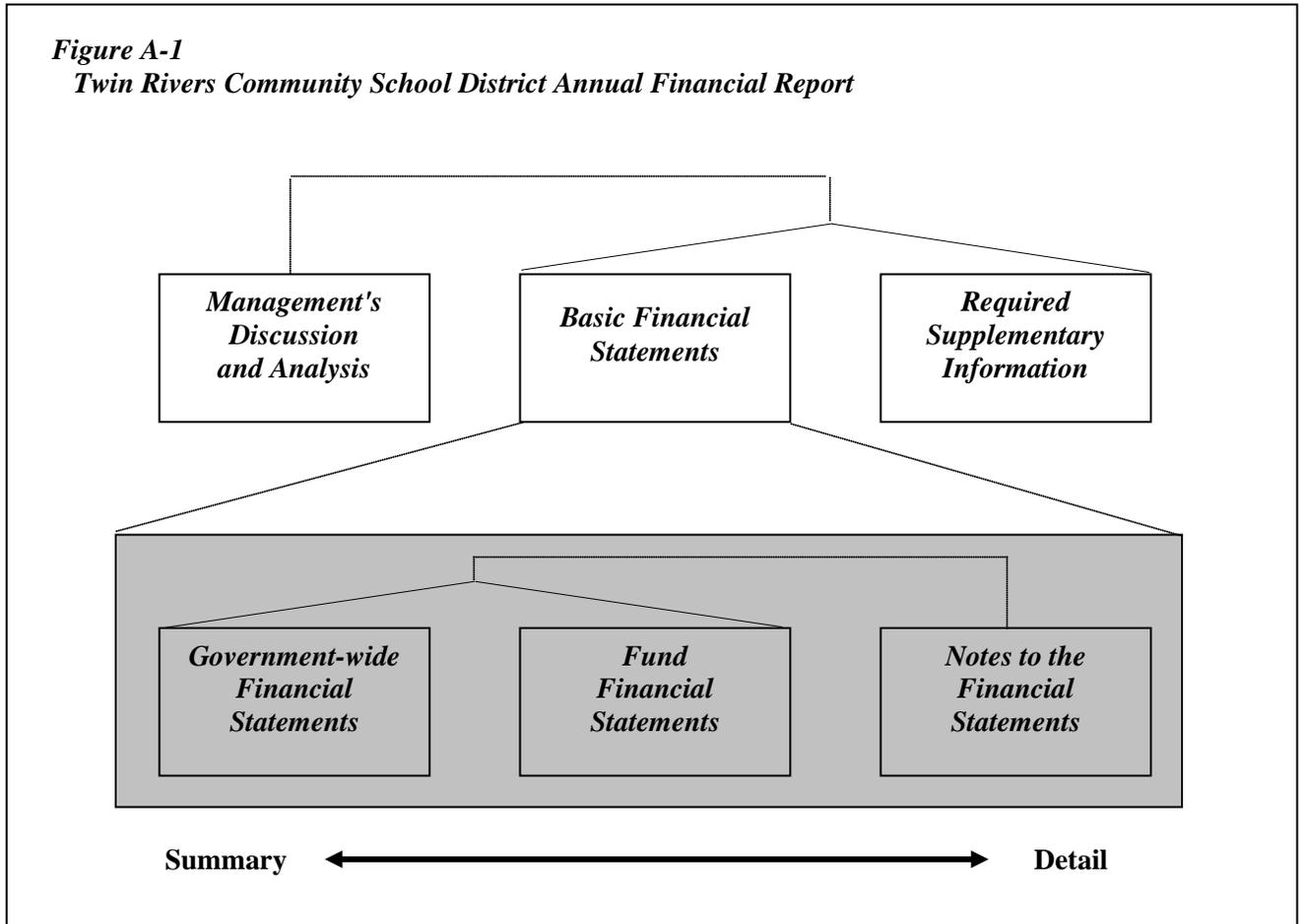
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Rivers Community School District's operations in more detail than the government-wide statements by providing information about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

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - 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 three kinds of funds:

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

The District's governmental funds include the General Fund, 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, Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust fund.

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3  
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,063,876	3,824,603	15,853	15,702	4,079,729	3,840,305	6.23%
Capital assets	459,072	535,855	4,417	5,219	463,489	541,074	-14.34%
Total assets	4,522,948	4,360,458	20,270	20,921	4,543,218	4,381,379	3.69%
Long-term obligations	40,298	128,558	-	-	40,298	128,558	-68.65%
Other liabilities	1,548,616	1,713,445	10,000	-	1,558,616	1,713,445	-9.04%
Total liabilities	1,588,914	1,842,003	10,000	-	1,598,914	1,842,003	-13.20%
Net position:							
Invested in capital assets	459,072	445,672	4,417	5,219	463,489	450,891	2.79%
Restricted	906,523	740,236	-	-	906,523	740,236	22.46%
Unrestricted	1,568,439	1,332,547	5,853	15,702	1,574,292	1,348,249	16.77%
Total net position	\$ 2,934,034	2,518,455	10,270	20,921	2,944,304	2,539,376	15.95%

The District's combined net position increased by 15.95%, or \$404,928, over the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$166,287, or 22.46% over the prior year. The increase in restricted net position can be attributed to the increase in fund balance of the Management Levy Fund.

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 - increased \$226,043, or 16.77%. The increase in unrestricted net position was primarily a result the District's increase in the General Fund ending balance.

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

Figure A-4  
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change 2012-13
	2013	2012	2013	2012	2013	2012	
<b>Revenues:</b>							
<b>Program revenues &amp; transfers:</b>							
Charges for service	\$ 40,914	19,568	4,171	30,215	45,085	49,783	-9.44%
Operating grants and contributions and restricted interest	183,613	421,080	26,209	34,982	209,822	456,062	-53.99%
<b>General revenues:</b>							
Property tax	1,318,821	1,256,313	-	-	1,318,821	1,256,313	4.98%
Income surtax	162,211	147,515	-	-	162,211	147,515	9.96%
Statewide sales, services and use tax	151,342	131,245	-	-	151,342	131,245	15.31%
Unrestricted state grants	591,795	538,822	-	-	591,795	538,822	9.83%
Unrestricted investment earnings	8,647	9,696	11	-	8,658	9,696	-10.71%
Other	14,040	100,738	100	-	14,140	100,738	-85.96%
Transfers	-	(131,942)	-	131,942	-	-	0.00%
<b>Total revenues &amp; transfers</b>	<b>2,471,383</b>	<b>2,493,035</b>	<b>30,491</b>	<b>197,139</b>	<b>2,501,874</b>	<b>2,690,174</b>	<b>-7.00%</b>
<b>Program expenses:</b>							
Instructional	1,376,934	1,333,498	-	-	1,376,934	1,333,498	3.26%
Support services	553,710	574,528	-	-	553,710	574,528	-3.62%
Non-instructional programs	-	-	41,142	91,378	41,142	91,378	-54.98%
Other expenses	125,160	206,749	-	-	125,160	206,749	-39.46%
<b>Total expenses</b>	<b>2,055,804</b>	<b>2,114,775</b>	<b>41,142</b>	<b>91,378</b>	<b>2,096,946</b>	<b>2,206,153</b>	<b>-4.95%</b>
<b>Change in net position</b>	<b>415,579</b>	<b>378,260</b>	<b>(10,651)</b>	<b>105,761</b>	<b>404,928</b>	<b>484,021</b>	<b>-16.34%</b>
<b>Beginning net position, as restated</b>	<b>2,518,455</b>	<b>2,140,195</b>	<b>20,921</b>	<b>(84,840)</b>	<b>2,539,376</b>	<b>2,055,355</b>	<b>23.55%</b>
<b>Ending net position</b>	<b>\$ 2,934,034</b>	<b>2,518,455</b>	<b>10,270</b>	<b>20,921</b>	<b>2,944,304</b>	<b>2,539,376</b>	<b>15.95%</b>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 90.00% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.64% of the revenue from business type activities.

The District's total revenues were approximately \$2.50 million of which \$2.47 million was for governmental activities and \$0.03 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.00% decrease in revenues and a 4.95% decrease in expenses. The decrease in expenses was related primarily to a decrease in the non-instructional and other expenses functional areas.

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## Governmental Activities

Revenues for governmental activities were \$2,471,383 and expenses were \$2,055,804.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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	\$ 1,376,934	1,333,498	3.26%	1,224,194	1,007,440	21.52%
Support services	553,710	574,528	-3.62%	552,628	531,098	4.05%
Other expenses	125,160	206,749	-39.46%	54,455	135,589	-59.84%
Totals	\$ 2,055,804	2,114,775	-2.79%	1,831,277	1,674,127	9.39%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$40,914.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$183,613.
- The net cost of governmental activities was financed with \$1,318,821 in property tax, \$162,211 in income surtax, \$151,342 in statewide sales, services and use tax, \$591,795 in unrestricted state grants, \$8,647 in unrestricted investment earnings, and \$14,040 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$30,491 and expenses were \$41,142. 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, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,363,802, above last year's ending fund balances of \$1,953,430. The primary reason for the increase in combined fund balances is due to the increase in General Fund ending balance.

## Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. An increase in local tax collected as compared to the prior year led to the increase in revenues. The increase in revenues coupled with a decrease in fund expenditures as compared to the prior year guaranteed the increase in General Fund balance from \$1,235,389 at the end of fiscal 2012 to \$1,475,940 at the end of fiscal year 2013.

- The Management Levy Fund balance increased from \$260,653 at June 30, 2012 to \$423,607 at June 30, 2013.
- The Capital Projects Fund balance increased from \$444,689 at June 30, 2012 to \$451,689 at June 30, 2013. The increase in Capital Projects Fund balance is mainly attributable to the increase in sales tax revenues received by the District as compared to the previous year.

### Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$20,921 at June 30, 2012 to \$10,270 at June 30, 2013, representing a decrease of 50.91%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$26,966 less than budgeted revenues, a variance of 1.06%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, 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 \$463,489, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 14.34% from the prior year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$115,125.

The original cost of the District's capital assets was \$1,966,686. Governmental funds account for \$1,856,432 with the remainder of \$110,254 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 \$169,745 at June 30, 2013, compared to \$224,645 reported at June 30, 2012. The decrease in the machinery and equipment category is due to depreciation expense taken during the year.

Figure A-6  
Capital Assets, Net of Depreciation, as Restated

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2012-13
Land	\$ 5,000	5,000	-	-	5,000	5,000	0.00%
Buildings and improvements	218,983	250,476	-	-	218,983	250,476	-12.57%
Land improvements	69,761	60,953	-	-	69,761	60,953	14.45%
Machinery and equipment	165,328	219,426	4,417	5,219	169,745	224,645	-24.44%
Total	\$ 459,072	535,855	4,417	5,219	463,489	541,074	-14.34%

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## Long-Term Debt

At June 30, 2013, the District had \$40,298 in other long-term debt outstanding. This represents a decrease of 68.65% 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 total outstanding other postemployment benefits payable of \$40,298 at June 30, 2013.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Total Change
	June 30,		June 30,
	2013	2012	2012-13
Bus lease	\$ -	90,183	-100.00%
Net OPEB liability	40,298	38,375	5.01%
Totals	<u>\$ 40,298</u>	<u>128,558</u>	<u>-68.65%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment will lead to declining revenues in the General Fund.
- The District participates in a whole grade sharing agreement with Humboldt Community School District for grades 6-12.
- Shared administration services with Humboldt Community School District reduce costs for the District.
- Allowable growth is not keeping up with the increased cost of living.

## 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 Annie Rathke, Finance Director/District Treasurer or Lisa Thul, Assistant Finance Manager, Twin Rivers Community School District, 23 3<sup>rd</sup> Street N, PO Box 130, Dakota City, Iowa, 50529.

**TWIN RIVERS COMMUNITY SCHOOL DISTRICT**

## **BASIC FINANCIAL STATEMENTS**

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,718,000	12,238	2,730,238
Receivables:			
Property tax:			
Delinquent	12,498	-	12,498
Succeeding year	1,117,670	-	1,117,670
Income surtax	151,458	-	151,458
Accounts	370	-	370
Due from other funds	10,000	-	10,000
Due from other governments	53,880	-	53,880
Inventories	-	3,615	3,615
Capital assets, net of accumulated depreciation	459,072	4,417	463,489
<b>TOTAL ASSETS</b>	<b>4,522,948</b>	<b>20,270</b>	<b>4,543,218</b>
<b>LIABILITIES</b>			
Due to other funds	-	10,000	10,000
Accounts payable	430,946	-	430,946
Deferred revenue:			
Succeeding year property tax	1,117,670	-	1,117,670
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	40,298	-	40,298
<b>TOTAL LIABILITIES</b>	<b>1,588,914</b>	<b>10,000</b>	<b>1,598,914</b>
<b>NET POSITION</b>			
Invested in capital assets	459,072	4,417	463,489
Restricted for:			
Categorical funding	18,661	-	18,661
Management levy purposes	423,607	-	423,607
Student activities	12,566	-	12,566
School infrastructure	277,451	-	277,451
Physical plant and equipment	174,238	-	174,238
Unrestricted	1,568,439	5,853	1,574,292
<b>TOTAL NET POSITION</b>	<b>\$ 2,934,034</b>	<b>10,270</b>	<b>2,944,304</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS 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 Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,024,769	40,735	23,579	(960,455)	-	(960,455)
Special	277,035	179	20,759	(256,097)	-	(256,097)
Other	75,130	-	67,488	(7,642)	-	(7,642)
	<u>1,376,934</u>	<u>40,914</u>	<u>111,826</u>	<u>(1,224,194)</u>	<u>-</u>	<u>(1,224,194)</u>
Support services:						
Student	1,776	-	-	(1,776)	-	(1,776)
Instructional staff	32,123	-	-	(32,123)	-	(32,123)
Administration	294,889	-	-	(294,889)	-	(294,889)
Operation and maintenance of plant	183,863	-	-	(183,863)	-	(183,863)
Transportation	41,059	-	1,082	(39,977)	-	(39,977)
	<u>553,710</u>	<u>-</u>	<u>1,082</u>	<u>(552,628)</u>	<u>-</u>	<u>(552,628)</u>
Long-term debt interest	2,362	-	-	(2,362)	-	(2,362)
Other expenses:						
AEA flowthrough	70,705	-	70,705	-	-	-
Depreciation(unallocated)*	52,093	-	-	(52,093)	-	(52,093)
	<u>122,798</u>	<u>-</u>	<u>70,705</u>	<u>(52,093)</u>	<u>-</u>	<u>(52,093)</u>
Total governmental activities	2,055,804	40,914	183,613	(1,831,277)	-	(1,831,277)
Business type activities:						
Non-instructional programs:						
Nutrition services	41,142	4,171	26,209	-	(10,762)	(10,762)
Total	<u>\$ 2,096,946</u>	<u>45,085</u>	<u>209,822</u>	<u>(1,831,277)</u>	<u>(10,762)</u>	<u>(1,842,039)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,283,961	-	1,283,961
Capital outlay				34,860	-	34,860
Income surtax				162,211	-	162,211
Statewide sales, services and use tax				151,342	-	151,342
Unrestricted state grants				591,795	-	591,795
Unrestricted investment earnings				8,647	11	8,658
Other general revenues				14,040	100	14,140
Total general revenues				<u>2,246,856</u>	<u>111</u>	<u>2,246,967</u>
Change in net position				415,579	(10,651)	404,928
Net position beginning of year, as restated				<u>2,518,455</u>	<u>20,921</u>	<u>2,539,376</u>
Net position end of year				<u>\$ 2,934,034</u>	<u>10,270</u>	<u>2,944,304</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor Student Activity	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,819,882	421,709	463,843	12,566	2,718,000
Receivables:					
Property tax:					
Delinquent	10,270	1,898	330	-	12,498
Succeeding year	981,108	100,000	36,562	-	1,117,670
Income surtax	151,458	-	-	-	151,458
Accounts	370	-	-	-	370
Due from other funds	10,000	-	-	-	10,000
Due from other governments	30,647	-	23,233	-	53,880
<b>TOTAL ASSETS</b>	<b>\$ 3,003,735</b>	<b>523,607</b>	<b>523,968</b>	<b>12,566</b>	<b>4,063,876</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 395,229	-	35,717	-	430,946
Deferred revenue:					
Succeeding year property tax	981,108	100,000	36,562	-	1,117,670
Income surtax	151,458	-	-	-	151,458
Total liabilities	1,527,795	100,000	72,279	-	1,700,074
Fund balances:					
Restricted for:					
Categorical funding	18,661	-	-	-	18,661
Management levy purposes	-	423,607	-	-	423,607
Student activities	-	-	-	12,566	12,566
School infrastructure	-	-	277,451	-	277,451
Physical plant and equipment	-	-	174,238	-	174,238
Unassigned	1,457,279	-	-	-	1,457,279
Total fund balances	1,475,940	423,607	451,689	12,566	2,363,802
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,003,735</b>	<b>523,607</b>	<b>523,968</b>	<b>12,566</b>	<b>4,063,876</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,363,802
 <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 in the governmental funds.		459,072
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		151,458
Long-term liabilities, including other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(40,298)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>2,934,034</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Nonmajor Debt Service	Nonmajor Student Activity	Total
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 1,252,252	200,190	186,202	-	-	1,638,644
Tuition	8,446	-	-	-	-	8,446
Other	51,787	2,385	854	-	129	55,155
State sources	703,885	-	-	-	-	703,885
Federal sources	71,523	-	-	-	-	71,523
Total revenues	2,087,893	202,575	187,056	-	129	2,477,653
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	973,326	-	3,932	-	-	977,258
Special	277,035	-	-	-	-	277,035
Other	61,483	3,373	-	-	262	65,118
	1,311,844	3,373	3,932	-	262	1,319,411
Support services:						
Student	1,776	-	-	-	-	1,776
Instructional staff	21,563	-	10,560	-	-	32,123
Administration	233,621	-	60,537	-	-	294,158
Operation and maintenance of plant	125,913	36,248	-	-	-	162,161
Transportation	81,920	-	4,200	-	-	86,120
	464,793	36,248	75,297	-	-	576,338
Capital outlay	-	-	51,110	-	-	51,110
Long-term debt:						
Principal	-	-	-	47,355	-	47,355
Interest and fiscal charges	-	-	-	2,362	-	2,362
	-	-	-	49,717	-	49,717
Other expenditures:						
AEA flowthrough	70,705	-	-	-	-	70,705
Total expenditures	1,847,342	39,621	130,339	49,717	262	2,067,281
Excess(Deficiency) of revenues over(under) expenditures	240,551	162,954	56,717	(49,717)	(133)	410,372
Other financing sources(uses):						
Transfer in	-	-	-	49,717	-	49,717
Transfer out	-	-	(49,717)	-	-	(49,717)
Total other financing sources(uses)	-	-	(49,717)	49,717	-	-
Change in fund balances	240,551	162,954	7,000	-	(133)	410,372
Fund balances beginning of year	1,235,389	260,653	444,689	-	12,699	1,953,430
Fund balances end of year	\$ 1,475,940	423,607	451,689	-	12,566	2,363,802

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

<b>Change in fund balances - total governmental funds(page 22)</b>	\$	410,372
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense are as follows:		
Capital outlay	\$ 37,540	
Depreciation expense	<u>(114,323)</u>	(76,783)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		90,183
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(6,270)
 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.		
Other postemployment benefits		<u>(1,923)</u>
 <b>Change in net position of governmental activities(page 19)</b>	 \$	 <u><u>415,579</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 12,238
Inventories	3,615
Total current assets	15,853
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	4,417
<b>TOTAL ASSETS</b>	<b>20,270</b>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	10,000
<b>TOTAL LIABILITIES</b>	<b>10,000</b>
<b>NET POSITION</b>	
Invested in capital assets	4,417
Unrestricted	5,853
<b>TOTAL NET POSITION</b>	<b>\$ 10,270</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 4,171
Miscellaneous	100
TOTAL OPERATING REVENUES	4,271
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	17,965
Benefits	2,932
Services	135
Supplies	19,308
Depreciation	802
TOTAL OPERATING EXPENSES	41,142
OPERATING LOSS	(36,871)
NON-OPERATING REVENUES:	
State sources	286
Federal sources	25,923
Interest on investments	11
TOTAL NON-OPERATING REVENUES	26,220
Change in net position	(10,651)
Net position beginning of year, as restated	20,921
Net position end of year	\$ 10,270

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 4,171
Cash received from miscellaneous sources	100
Cash payments to employees for services	(20,897)
Cash payments to suppliers for goods or services	(16,034)
Net cash used in operating activities	(32,660)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	10,000
State grants received	286
Federal grants received	23,434
Net cash provided by non-capital financing activities	33,720
Cash flows from investing activities:	
Interest on investments	11
Net increase in cash and cash equivalents	1,071
Cash and cash equivalents at beginning of year	11,167
Cash and cash equivalents at end of year	\$ 12,238
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,871)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	2,489
Depreciation	802
Decrease in inventories	920
Net cash used in operating activities	\$ (32,660)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$2,489.

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 60,860
Accounts receivable	110
Land	835,195
<b>TOTAL ASSETS</b>	<u>896,165</u>
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 896,165</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u> <u>Scholarship Fund</u>
Additions:	
Local sources:	
Rent	\$ 27,555
Interest income	280
Unrealized gain on land	9,864
Total additions	<u>37,699</u>
Deductions:	
Instruction:	
Scholarships awarded	18,722
Support services:	
Farm maintenance costs	2,451
Total deductions	<u>21,173</u>
Change in net position	16,526
Net position beginning of year, as restated	<u>879,639</u>
Net position end of year	<u>\$ 896,165</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

**Note 1. Summary of Significant Accounting Policies**

The Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Bode and Livermore, Iowa, and the agricultural territory in Humboldt and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District also contracted with the Humboldt Community School District to educate students in grades six through twelve.

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

**A. Reporting Entity**

For financial reporting purposes, Twin Rivers Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Twin Rivers Community School District has 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 do 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 Humboldt County Assessors' 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 plus unspent bond proceeds and reduced by outstanding principal 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 that 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 expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and termination benefits.

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 District also reports the following nonmajor proprietary funds:

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

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 financial statements.

*Cash, Pooled Investments and Cash Equivalents* - The cash balance 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 purpose 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 Taxes* - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date 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	\$ 500
Buildings and improvements	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	50 years
Land improvements	5-20 years
Intangibles	3-10 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition 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 Balances - 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. Budgets and Budgetary Accounting**

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

**Note 2. Deposits and Pooled Investments**

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. As of June 30, 2013, the District had no investments.

**Note 3. Due From and Due to Other Funds**

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

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 10,000

The Nutrition Fund is repaying the General Fund for salaries and benefits not repaid before year end (See Comment II-N-13 for more details).

**Note 4. Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 49,717

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for the final principal and interest payment on the District's bus lease indebtedness.

## **Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Total capital assets not being depreciated	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings and improvements	866,875	14,218	-	881,093
Land improvements	213,934	15,190	-	229,124
Machinery and equipment	733,083	8,132	-	741,215
Total capital assets being depreciated	1,813,892	37,540	-	1,851,432
Less accumulated depreciation for:				
Buildings and improvements	616,399	45,711	-	662,110
Land improvements	152,981	6,382	-	159,363
Machinery and equipment	513,657	62,230	-	575,887
Total accumulated depreciation	1,283,037	114,323	-	1,397,360
Total capital assets being depreciated, net	530,855	(76,783)	-	454,072
Governmental activities capital assets, net	\$ 535,855	(76,783)	-	459,072
	Restated Beginning Balance	Increases	Decreases	Balance End of Year
<b><u>Business type activities:</u></b>				
Machinery and equipment	\$ 110,254	-	-	110,254
Less accumulated depreciation	105,035	802	-	105,837
Business type activities capital assets, net	\$ 5,219	(802)	-	4,417

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 50,388
Other		9,875
Support services:		
Transportation		1,967
		62,230
Unallocated depreciation		52,093
Total governmental activities depreciation expense		\$ 114,323
Business type activities:		
Food services		\$ 802

## **Note 6. Long-Term Debt**

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
<b><u>Governmental Activities:</u></b>					
Bus Lease*	\$ 90,183	-	90,183	-	-
Net OPEB Liability	38,375	1,923	-	40,298	-
Total	\$ 128,558	1,923	90,183	40,298	-

\* The District allowed the last payment in the amount \$40,466 for the bus lease, to go back to the company, with no penalty.

**Note 7. Other Postemployment Benefits (OPEB)**

*Plan Description* - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 6,054
Interest on net OPEB obligation	875
Adjustment to annual required contribution	(5,006)
Annual OPEB cost	<u>1,923</u>
Contributions made	-
Increase in net OPEB obligation	<u>1,923</u>
Net OPEB obligation beginning of year	<u>38,375</u>
Net OPEB obligation end of year	<u><u>\$ 40,298</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	\$ 31,775	59.8%	\$ 24,775
2012	32,600	58.3%	38,375
2013	1,923	0.0%	40,298

*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 \$49,385, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,385. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$376,563, and the ratio of the UAAL to covered payroll was 13.1%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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 the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$43,910, \$40,414, and \$63,315 respectively, equal to the required contributions for each year.

#### **Note 9. Risk Management**

Twin Rivers Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$70,705 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Categorical Funding**

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

Program	Amount
Beginning teacher mentoring	\$ 504
Teacher salary supplement	3,391
Professional development for model core curriculum	2,076
Professional development	12,690
Total restricted for categorical funding	<u>\$ 18,661</u>

**Note 12. Private Purpose Trust Land Value**

Land value in Humboldt County for 2013 was obtained from Iowa State University Extension and Outreach. The value of land in the Private Purpose Trust for fiscal year 2013 was calculated as follows:

2013 Humboldt County Dollars/acre	Tillable Acres	Rounded Total
\$10,499	79.55	<u>\$ 835,195</u>

**Note 13. Accounting Change/Restatement**

The following balances have been restated to properly reflect land value in the Private Purpose Trust Fund. Land value in Humboldt County for 2012 was obtained from Iowa State University Extension and Outreach. The value of land for the restatement was calculated as follows:

2012 Humboldt County Dollars/acre	Tillable Acres	Rounded Total		
\$10,375	79.55	<u>\$ 825,331</u>	Land balance, June 30, 2012, as previously reported	\$ 50,000
			Land value adjustment	775,331
			Restated land balance beginning of year	<u>\$ 825,331</u>

The following beginning balances have been restated to properly reflect the accumulated depreciation due to changes made to the business type activities capital assets not being depreciated correctly on the District's capital assets listing.

	Balance Beginning of Year	Increases	Decreases	Restated Beginning Balance
Business type activities:				
Machinery and equipment	\$ 110,254	-	-	110,254
Less accumulated depreciation	110,254	-	5,219	105,035
Business type activities capital assets, net	<u>\$ -</u>	<u>-</u>	<u>(5,219)</u>	<u>5,219</u>

As a result of the land and capital asset restatement, the total net position reported at the beginning of the year is summarized as follows:

	Business Type Activities	Private Purpose Trust
Fund balance, June 30, 2012, as previously reported	\$ 15,702	\$ 104,308
Net position adjustments	5,219	775,331
Restated fund balance beginning of year	<u>\$ 20,921</u>	<u>\$ 879,639</u>

**TWIN RIVERS COMMUNITY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

TWIN RIVERS 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	Budgeted Amounts		Final to
	Fund Types	Fund Types		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,702,245	4,282	1,706,527	1,618,301	1,618,301	88,226
State sources	703,885	286	704,171	819,809	819,809	(115,638)
Federal sources	71,523	25,923	97,446	97,000	97,000	446
Total revenues	<u>2,477,653</u>	<u>30,491</u>	<u>2,508,144</u>	<u>2,535,110</u>	<u>2,535,110</u>	<u>(26,966)</u>
Expenditures/expenses:						
Instruction	1,319,411	-	1,319,411	1,755,000	1,755,000	435,589
Support services	576,338	-	576,338	835,000	835,000	258,662
Non-instructional programs	-	41,142	41,142	70,000	70,000	28,858
Other expenditures/expenses	171,532	-	171,532	304,434	304,434	132,902
Total expenditures/expenses	<u>2,067,281</u>	<u>41,142</u>	<u>2,108,423</u>	<u>2,964,434</u>	<u>2,964,434</u>	<u>856,011</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	410,372	(10,651)	399,721	(429,324)	(429,324)	829,045
Other financing sources, net	-	-	-	3,100	3,100	(3,100)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	410,372	(10,651)	399,721	(426,224)	(426,224)	825,945
Balance beginning of year, as restated	<u>1,953,430</u>	<u>20,921</u>	<u>1,974,351</u>	<u>1,274,550</u>	<u>1,274,550</u>	<u>699,801</u>
Balance end of year	<u>\$ 2,363,802</u>	<u>10,270</u>	<u>2,374,072</u>	<u>848,326</u>	<u>848,326</u>	<u>1,525,746</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS 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 Government Accounting Standards 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as function, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 304,000	304,000	0.0%	\$ 970,000	31.3%
2011	July 1, 2009	-	304,000	304,000	0.0%	993,000	30.6%
2012	July 1, 2009	-	304,000	304,000	0.0%	528,000	57.6%
2013	July 1, 2012	-	49,385	49,385	0.0%	376,563	13.1%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**SUPPLEMENTARY INFORMATION**

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 286,003	177,840	463,843
Receivables:			
Property tax:			
Delinquent	-	330	330
Succeeding year	-	36,562	36,562
Due from other governments	23,233	-	23,233
<b>TOTAL ASSETS</b>	<b>\$ 309,236</b>	<b>214,732</b>	<b>523,968</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 31,785	3,932	35,717
Deferred revenue:			
Succeeding year property tax	-	36,562	36,562
Total liabilities	31,785	40,494	72,279
Fund balances:			
Restricted for:			
School infrastructure	277,451	-	277,451
Physical plant and equipment levy	-	174,238	174,238
Total fund balances	277,451	174,238	451,689
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 309,236</b>	<b>214,732</b>	<b>523,968</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 151,342	34,860	186,202
Other	394	460	854
Total revenues	151,736	35,320	187,056
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	3,932	3,932
Support services:			
Instructional staff	10,560	-	10,560
Administration	60,537	-	60,537
Transportation	-	4,200	4,200
Capital outlay	6,767	44,343	51,110
Total expenditures	77,864	52,475	130,339
Excess(Deficiency) of revenues over(under) expenditures	73,872	(17,155)	56,717
Other financing uses:			
Transfer out	(49,717)	-	(49,717)
Change in fund balances	24,155	(17,155)	7,000
Fund balance beginning of year	253,296	191,393	444,689
Fund balance end of year	\$ 277,451	174,238	451,689

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary spirit	\$ 4,450	49	112	4,387
High school spirit	2,572	-	-	2,572
Student council	557	-	150	407
Yearbook	5,120	80	-	5,200
TOTAL	\$ 12,699	129	262	12,566

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**TWIN RIVERS COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -**  
**ALL GOVERNMENTAL FUNDS**  
**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	\$ 1,638,644	1,539,017	1,643,170	1,674,445	1,650,709	1,450,158	1,266,904	1,262,332	1,194,481	1,270,862
Tuition	8,446	1,900	172,052	225,743	271,697	267,517	264,904	271,106	274,671	267,762
Other	55,155	66,349	205,048	201,629	220,358	207,383	261,665	211,712	213,457	213,198
Intermediate sources	-	-	-	16,000	15,000	-	-	-	-	-
State sources	703,885	796,520	687,714	619,041	774,837	753,438	701,089	697,987	673,656	708,599
Federal sources	71,523	141,890	186,557	227,870	85,304	63,932	113,519	187,679	174,996	109,385
<b>Total</b>	<b>\$ 2,477,653</b>	<b>2,545,676</b>	<b>2,894,541</b>	<b>2,964,728</b>	<b>3,017,905</b>	<b>2,742,428</b>	<b>2,608,081</b>	<b>2,630,816</b>	<b>2,531,261</b>	<b>2,569,806</b>
Expenditures:										
Instruction:										
Regular	\$ 977,258	904,108	1,176,774	1,081,180	1,155,544	1,128,014	1,042,653	1,142,993	1,118,052	958,044
Special	277,035	343,319	205,222	202,080	245,513	191,522	183,552	252,462	246,953	211,611
Other	65,118	76,471	198,846	289,338	308,304	308,216	403,932	302,559	295,957	253,602
Support services:										
Student	1,776	23,649	29,658	21,617	26,770	25,545	57,376	24,309	85,231	81,635
Instructional staff	32,123	57,761	14,834	59,694	105,488	102,398	106,626	129,070	28,366	26,757
Administration	294,158	273,783	327,452	319,548	352,617	367,227	344,898	369,144	375,184	364,059
Operation and maintenance of plant	162,161	162,245	174,315	170,560	214,689	194,587	207,671	245,557	256,474	231,943
Transportation	86,120	90,258	86,042	222,148	81,440	78,746	210,387	136,270	78,313	317,797
Non-instructional programs	-	-	-	-	-	-	-	-	260	-
Other expenditures:										
Capital outlays	51,110	98,626	181,472	143,220	111,320	5,201	41,559	228,534	44,625	10,415
Long-term debt:										
Principal	47,355	17,968	17,164	23,045	17,585	76,852	143,284	73,417	22,335	82,097
Interest and other charges	2,362	5,077	5,881	-	4,705	7,454	4,133	9,817	5,883	2,540
AEA flow-through	70,705	70,537	77,988	77,067	72,587	70,247	68,762	66,796	66,506	69,597
<b>Total</b>	<b>\$ 2,067,281</b>	<b>2,123,802</b>	<b>2,495,648</b>	<b>2,609,497</b>	<b>2,696,562</b>	<b>2,556,009</b>	<b>2,814,833</b>	<b>2,980,928</b>	<b>2,624,139</b>	<b>2,610,097</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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 Twin Rivers Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards 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 Twin Rivers 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 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Twin Rivers Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Twin Rivers Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Twin Rivers Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Twin Rivers Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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.

### **Twin Rivers Community School District's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion 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 Twin Rivers Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014  
Newton, Iowa

TWIN RIVERS 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 internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash, bank reconciliations.
- 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) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to review our procedures to obtain the best controls possible.

Conclusion - Response acknowledged.

I-B-13 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however these changes are not kept up to date and are not being kept on the District's software system. Fixed assets are required to be maintained for financial statement presentation.

Recommendation - Fixed asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the fixed assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.

#### **OTHER MATTERS:**

I-C-13 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for calculation of commodity inventory at year end.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.

#### **Part II: Other Findings Related to Required Statutory Reporting:**

II-A-13 Certified Budget - District expenditures/expenses for the year ended June 30, 2013, did not exceed the amount budgeted.

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 - No business transactions between the District and District officials or employees were noted.

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

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we were unable to determine how board members were voting on motions from the official board minutes.

Recommendation - According to Chapter 21.3 of the Code of Iowa, "the minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present." The official board minutes should state whether each resolution passed unanimously or which board members vote for or against the resolution.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.

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

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

II-I-13 Deposits and Investments - We noted no instances on noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that the District did not pass a depository resolution.

Recommendation - The District should pass a depository resolution on an annual basis.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.

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

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments during the fiscal year 2013 audit:

Beginning balance		\$	253,296
Revenues:			
Sales tax revenues	\$	151,342	
Other local revenue		<u>394</u>	<u>151,736</u>
			405,032
Expenditures/transfers out:			
Equipment	\$	592	
Other		<u>77,272</u>	
Transfers to other funds:			
Debt service fund		<u>49,717</u>	<u>127,581</u>
Ending balance		\$	<u><u>277,451</u></u>

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

II-M-13 Payroll Authorization - We noted during our audit that the District does not maintain written authorization to mail employee payroll checks. Chapter 91A.3 of the Code of Iowa requires that the District have a written request from employees before checks can be sent by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail to be in compliance with Chapter 91A.3 of the Code of Iowa.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.

II-N-13 Nutrition Fund Transfer - We noted during our audit that in the May 9, 2013 Board minutes, the District's Board of Directors approved a permanent transfer of \$10,000 from the General Fund to the Nutrition Fund. The Iowa Department of Education(IDOE) and School Budget Review Committee(SBRC) have stated that Nutrition Fund has to be self-sustaining and permanent transfers from other funds to make Nutrition Fund solvent are not allowable without permission from those agencies.

Since this permanent transfer has not been approved by IDOE and SBRC and due to materiality of this amount to the Nutrition Fund, the \$10,000 permanent transfer approved by the District's Board of Directors has been shown as an interfund loan due from Nutrition Fund to the General Fund on the financial statements of this report.

Recommendation - The District needs to have the Board of Directors approve the repayment of the \$10,000 loan from the Nutrition Fund to the General Fund. If there are cash shortfalls in the Nutrition Fund in the future, interfund loans should be created rather than permanent transfers.

Response - Procedure is in place to correct this. The District will work on repaying the interfund loan.

Conclusion - Response accepted.

II-O-13 Electronic Check Retention - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. We noted the District does not obtain the image of the back of each cancelled check.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Procedure is in place to correct this.

Conclusion - Response accepted.