

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Berdette Ogden	President	2013
Justin Leer	Vice President	2015
Gary Bates	Board Member	2013
Jody Schroeder	Board Member	2015
Regina Garber	Board Member	2013
(After September 2013 Election)		
Regina Garber	President	2017
Justin Leer	Vice President	2015
Matthew Steinke	Board Member	2017
Jody Schroeder	Board Member	2015
Karen Sieren	Board Member	2015
School Officials		
Alan Meyer	Superintendent	2014
Dennis Gourley	Board Treasurer/Business Manager (Appointed August 2013)	2014
Donna Claeys	Board Secretary (Resigned September 2013)	2014
Shelley Koehn	Board Secretary (Appointed September 2013)	2014
Lynch Dallas, P.C.	Attorney	2014

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Tri-County Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified 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 5, 2015 on our consideration of Tri-County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,204,088 in fiscal year 2013 to \$2,820,766 in fiscal year 2014, while General Fund expenditures increased from \$3,311,687 in fiscal year 2013 to \$3,311,911 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$749,313 at June 30, 2013 to \$258,168 at June 30, 2014.
- The decrease in general fund revenues is primarily due to a decrease in local tax revenues received as compared to the prior year. The increase in general fund expenditures is primarily due to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

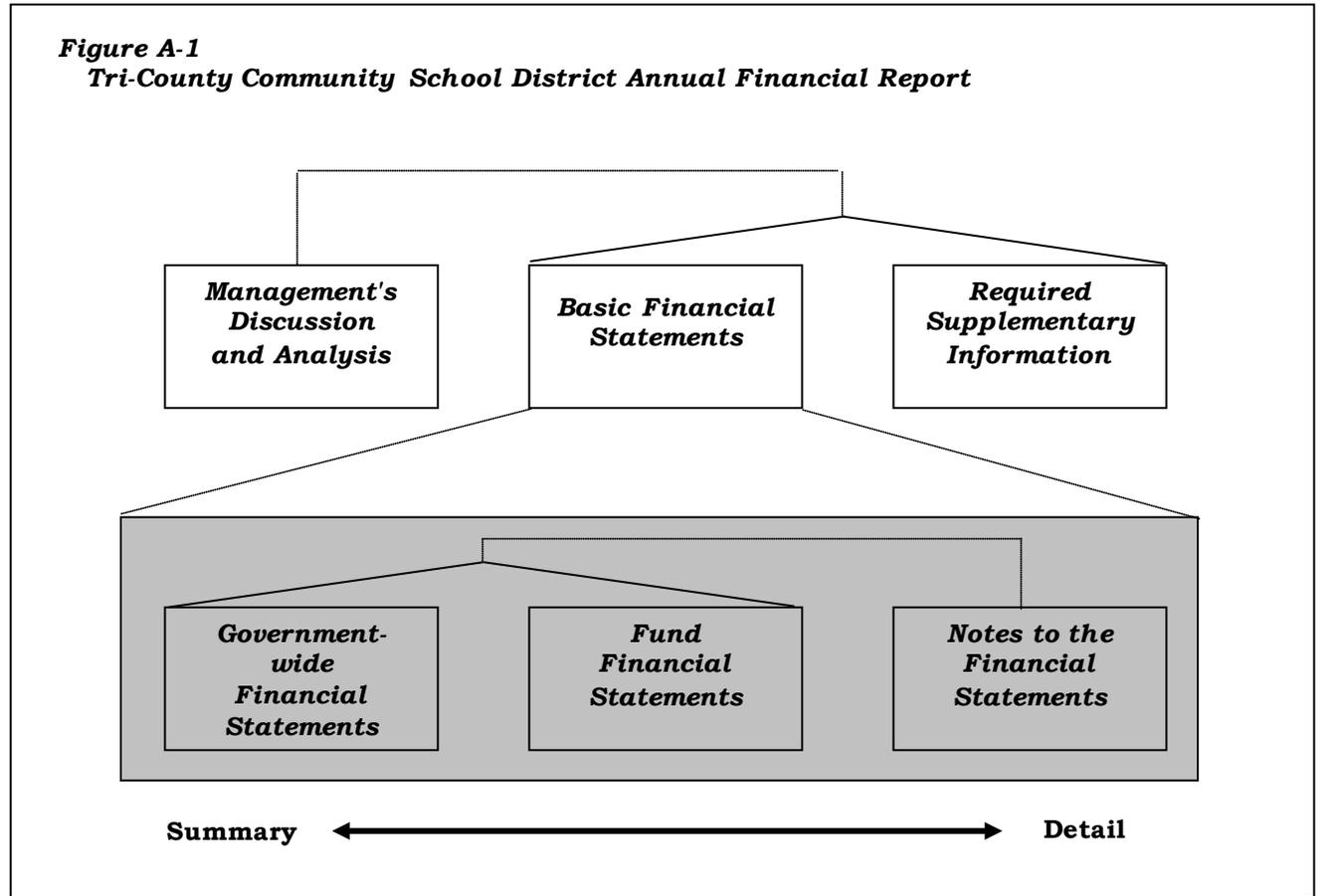


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,199,681	3,542,718	84,195	2,188	3,283,876	3,544,906	-7.36%
Capital assets	750,143	797,831	14,331	18,528	764,474	816,359	-6.36%
Total assets	3,949,824	4,340,549	98,526	20,716	4,048,350	4,361,265	-7.17%
Long-term liabilities	562,912	876,293	2,289	1,991	565,201	878,284	-35.65%
Other liabilities	116,329	228,043	113,117	15,005	229,446	243,048	-5.60%
Total liabilities	679,241	1,104,336	115,406	16,996	794,647	1,121,332	-29.13%
Deferred inflows of resources	1,468,227	1,684,012	-	-	1,468,227	1,684,012	-12.81%
Net position:							
Net investment in capital assets	329,601	178,899	14,331	18,528	343,932	197,427	74.21%
Restricted	1,248,635	813,628	-	-	1,248,635	813,628	53.47%
Unrestricted	224,120	559,674	(31,211)	(14,808)	192,909	544,866	-64.60%
Total net position	\$ 1,802,356	1,552,201	(16,880)	3,720	1,785,476	1,555,921	14.75%

The District's total net position increased by \$229,555, or 14.75% from the prior year. The District's net position, net investment in capital assets (e.g., land, buildings and equipment), less the related debt, increased by 74.21% from the prior year. This is primarily due to the principal payments made on the District's general obligation and capital loan note indebtedness during the year. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$435,007, or 53.47% from the prior year. The increase in restricted net position can be attributed to the increase in restricted fund balance of the Management Levy Fund compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$351,957, or 64.60%. The decrease in unrestricted net position can be attributed to the decrease in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
June 30,		June 30,		June 30,		June 30,	
2014		2013		2014		2013-14	
Revenues :							
Program revenues:							
Charges for service	\$ 231,132	233,950	54,896	47,145	286,028	281,095	1.75%
Operating grants, contributions and restricted interest	282,923	296,297	85,187	67,175	368,110	363,472	1.28%
General revenues:							
Property tax	1,685,383	1,706,189	-	-	1,685,383	1,706,189	-1.22%
Income surtax	166,446	129,030	-	-	166,446	129,030	29.00%
Statewide sales, services and use tax	243,976	234,846	-	-	243,976	234,846	3.89%
Unrestricted state grants	1,348,007	1,309,559	-	-	1,348,007	1,309,559	2.94%
Unrestricted investment earnings	823	932	16	4	839	936	-10.36%
Other	47,813	11,903	-	-	47,813	11,903	301.69%
Total revenues	4,006,503	3,922,706	140,099	114,324	4,146,602	4,037,030	2.71%
Program expenses:							
Instruction	2,288,911	2,352,622	-	-	2,288,911	2,352,622	-2.71%
Support services	1,229,612	1,152,911	29,273	13,711	1,258,885	1,166,622	7.91%
Non-instructional programs	-	-	131,426	125,014	131,426	125,014	5.13%
Other expenses	237,825	237,669	-	-	237,825	237,669	0.07%
Total expenses	3,756,348	3,743,202	160,699	138,725	3,917,047	3,881,927	0.90%
Change in net position	250,155	179,504	(20,600)	(24,401)	229,555	155,103	-48.00%
Net position beginning of year	1,552,201	1,372,697	3,720	28,121	1,555,921	1,400,818	11.07%
Net position end of year	\$ 1,802,356	1,552,201	(16,880)	3,720	1,785,476	1,555,921	14.75%

In fiscal year 2014, property tax and unrestricted state grants account for 75.71% of the revenue from governmental activities while charges for service and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$4.15 million of which approximately \$4.01 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.71% in revenues and an increase of 0.90% in expenses. The increase in revenues is primarily due to the increase in income surtax and unrestricted state grant revenues, while the increase in expenses is primarily due to an increase in support services expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$4,006,503 and expenses were \$3,756,348 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,288,911	2,352,622	-2.71%	1,891,175	1,934,851	-2.26%
Support services	1,229,612	1,152,911	6.65%	1,227,718	1,150,281	6.73%
Other expenses	237,825	237,669	0.07%	123,400	127,823	-3.46%
Totals	<u>\$ 3,756,348</u>	<u>3,743,202</u>	<u>0.35%</u>	<u>3,242,293</u>	<u>3,212,955</u>	<u>0.91%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$231,132.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$282,923.
- The net cost of governmental activities was financed with \$1,685,383 in property tax, \$166,446 in income surtax, \$243,976 in statewide sales, services and use tax, \$1,348,007 in unrestricted state grants, \$823 in interest income and \$47,813 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$140,099 and expenses were \$160,699 for the year ended June 30, 2014. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,483,496, below last year's ending fund balances of \$1,507,992. This decrease in combined fund balances was primarily a result of the decrease in the fund balance of the General Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Revenues decreased primarily due to a reduction in revenues from local tax sources. Expenditures increased compared to the prior year primarily due to increases in the negotiated salaries and benefits paid to employees. This resulted in a decrease in fund balance from \$749,313 at June 30, 2013 to \$258,168 at June 30, 2014.
- The Management Levy Fund balance increased from 77,745 at June 30, 2013 to \$480,722 at June 30, 2014. The primary reason for this increase in fund balance is due to an increase in local tax revenue sources received compared to the prior year.
- The Capital Projects Fund balance increased from \$508,689 at June 30, 2013, to \$567,781 at June 30, 2014. While total revenues and expenditures both increased during the year the revenues still outpaced total expenditures ensuring an increase in ending fund balance.
- The Debt Service Fund balance decreased from \$114,478 at June 30, 2013, to \$113,601 at June 30, 2014. This decrease in fund balance was related to an increase in expenditures required for principal and interest payments on the District's general obligation bonded indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$3,720 at June 30, 2013 to a deficit net position of \$16,880 at June 30, 2014, representing a decrease of 553.76%. While both total revenues and expenditures increased over the prior year, expenditures still outpaced revenues ensuring a decrease in ending net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$90,376 more than budgeted revenues, a variance of 2.23%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practices, the certified budget was exceeded in the support services functional area and in total during the year ended June 30, 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$764,474, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$131,660.

The original cost of the District's capital assets was \$4,590,987. Governmental funds account for \$4,520,020 with the remainder of \$70,967 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$229,083 at June 30, 2013 compared to \$192,419 at June 30, 2014. This decrease is due to annual depreciation expense incurred by the District during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 23,205	23,205	-	-	23,205	23,205	0.00%
Buildings	480,299	489,564	-	-	480,299	489,564	-1.89%
Land improvements	68,551	74,507	-	-	68,551	74,507	-7.99%
Machinery and equipment	178,088	210,555	14,331	18,528	192,419	229,083	-16.00%
Total	\$ 750,143	797,831	14,331	18,528	764,474	816,359	-6.36%

Long-Term Debt

At June 30, 2014 the District had \$565,201 in general obligation and other long-term debt outstanding. This represents a decrease of 35.65% 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.

At June 30, 2014, the District had outstanding general obligation bonded indebtedness of \$360,000, payable from the Debt Service Fund.

At June 30, 2014, the District had outstanding capital loan note indebtedness of \$60,542, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

At June 30, 2014, the District had total outstanding computer leases payable of \$59,965 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$3,230 at June 30, 2014.

The District had net OPEB liability of \$81,464 at June 30, 2014. \$79,175 is attributable to the governmental activities with the remaining \$2,289 attributable to the business activities of the District.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 360,000	530,000	-	-	360,000	530,000	-32.08%
Capital loan notes	60,542	88,932	-	-	60,542	88,932	-31.92%
Computer leases	59,965	182,029	-	-	59,965	182,029	-67.06%
Termination benefits	3,230	6,460	-	-	3,230	6,460	-50.00%
Net OPEB liability	79,175	68,872	2,289	1,991	81,464	70,863	14.96%
Total	\$ 562,912	876,293	2,289	1,991	565,201	878,284	-35.65%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District receives a large amount of federal and state monies through grants. The grants have to be approved and their continuation depends on federal and state funding.
- The District continues to experience reductions in enrollment each year and as a result the funds available to the District that are based on enrollment are reduced each year.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Gourley, District Treasurer/Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,254,594	83,143	1,337,737
Receivables:			
Property tax:			
Delinquent	37,185	-	37,185
Succeeding year	1,468,227	-	1,468,227
Income surtax	133,218	-	133,218
Accounts	6,874	-	6,874
Due from other funds	110,656	-	110,656
Due from other governments	188,927	-	188,927
Inventories	-	1,052	1,052
Capital assets, net of accumulated depreciation	750,143	14,331	764,474
Total Assets	3,949,824	98,526	4,048,350
Liabilities			
Due to other funds	-	110,656	110,656
Accounts payable	110,370	-	110,370
Salaries and benefits payable	4,370	-	4,370
Accrued interest payable	1,589	-	1,589
Unearned revenues	-	2,461	2,461
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	-	175,000
Capital loan note payable	29,627	-	29,627
Computer lease payable	59,965	-	59,965
Termination benefits payable	1,615	-	1,615
Portion due after one year:			
General obligation bonds payable	185,000	-	185,000
Capital loan note payable	30,915	-	30,915
Termination benefits payable	1,615	-	1,615
Net OPEB liability	79,175	2,289	81,464
Total Liabilities	679,241	115,406	794,647
Deferred inflows of resources			
Unavaialbe property tax revenue	1,468,227	-	1,468,227
Net Position			
Net investment in capital assets	329,601	14,331	343,932
Restricted for:			
Categorical funding	28,083	-	28,083
Debt service	112,012	-	112,012
Management levy purposes	477,492	-	477,492
Student activities	63,267	-	63,267
School infrastrucutre	420,643	-	420,643
Physical plant and equipment	147,138	-	147,138
Unrestricted	224,120	(31,211)	192,909
Total Net Position	\$ 1,802,356	(16,880)	1,785,476

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	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	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,356,810	82,680	35,028	(1,239,102)	-	(1,239,102)
Special	311,699	19,863	12,649	(279,187)	-	(279,187)
Other	620,402	128,589	118,927	(372,886)	-	(372,886)
	<u>2,288,911</u>	<u>231,132</u>	<u>166,604</u>	<u>(1,891,175)</u>	<u>-</u>	<u>(1,891,175)</u>
Support services:						
Student	6,654	-	-	(6,654)	-	(6,654)
Instructional staff	15,430	-	1,040	(14,390)	-	(14,390)
Administration	377,515	-	-	(377,515)	-	(377,515)
Operation and maintenance of plant	558,455	-	-	(558,455)	-	(558,455)
Transportation	271,558	-	854	(270,704)	-	(270,704)
	<u>1,229,612</u>	<u>-</u>	<u>1,894</u>	<u>(1,227,718)</u>	<u>-</u>	<u>(1,227,718)</u>
Long-term debt interest	28,404	-	-	(28,404)	-	(28,404)
Other expenses:						
AEA flowthrough	114,425	-	114,425	-	-	-
Depreciation(unallocated)*	94,996	-	-	(94,996)	-	(94,996)
	<u>209,421</u>	<u>-</u>	<u>114,425</u>	<u>(94,996)</u>	<u>-</u>	<u>(94,996)</u>
Total governmental activities	<u>3,756,348</u>	<u>231,132</u>	<u>282,923</u>	<u>(3,242,293)</u>	<u>-</u>	<u>(3,242,293)</u>
Business Type activities:						
Support services:						
Administration	29,273	-	-	-	(29,273)	(29,273)
Non-instructional programs:						
Food service operations	131,426	54,896	85,187	-	8,657	8,657
Total business type activities	<u>160,699</u>	<u>54,896</u>	<u>85,187</u>	<u>-</u>	<u>(20,616)</u>	<u>(20,616)</u>
Total	<u>\$ 3,917,047</u>	<u>286,028</u>	<u>368,110</u>	<u>(3,242,293)</u>	<u>(20,616)</u>	<u>(3,262,909)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,438,135	-	1,438,135
Capital outlay				56,845	-	56,845
Debt service				190,403	-	190,403
Income surtax				166,446	-	166,446
Statewide sales, services and use tax				243,976	-	243,976
Unrestricted state grants				1,348,007	-	1,348,007
Unrestricted investment earnings				823	16	839
Other				47,813	-	47,813
Total general revenues				<u>3,492,448</u>	<u>16</u>	<u>3,492,464</u>
Change in net position				250,155	(20,600)	229,555
Net position beginning of year				<u>1,552,201</u>	<u>3,720</u>	<u>1,555,921</u>
Net position end of year				<u>\$ 1,802,356</u>	<u>(16,880)</u>	<u>1,785,476</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Mangement Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 35,723	469,701	683,589	2,357	63,224	1,254,594
Receivables:						
Property tax:						
Delinquent	20,789	11,021	1,230	4,145	-	37,185
Succeeding year	953,973	190,000	50,069	274,185	-	1,468,227
Income surtax	88,812	-	44,406	-	-	133,218
Accounts	6,874	-	-	-	-	6,874
Due from other funds	292,732	-	219,308	154,871	-	666,911
Due from other governments	66,110	-	122,817	-	-	188,927
Total Assets	\$ 1,465,013	670,722	1,121,419	435,558	63,224	3,755,936
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Due to other funds	\$ 49,320	-	459,163	47,772	-	556,255
Accounts payable	110,370	-	-	-	-	110,370
Salaries and benefits payable	4,370	-	-	-	-	4,370
Total liabilities	164,060	-	459,163	47,772	-	670,995
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	953,973	190,000	50,069	274,185	-	1,468,227
Income surtax	88,812	-	44,406	-	-	133,218
Total deferred inflows of resources	1,042,785	190,000	94,475	274,185	-	1,601,445
Fund balances:						
Restricted for:						
Categorical funding	28,083	-	-	-	-	28,083
School infrastructure	-	-	420,643	-	-	420,643
Physical plant and equipment	-	-	147,138	-	-	147,138
Management levy purposes	-	480,722	-	-	-	480,722
Student activities	-	-	-	-	63,267	63,267
Debt service	-	-	-	113,601	-	113,601
Unassigned:						
General	230,085	-	-	-	-	230,085
Student activities	-	-	-	-	(43)	(43)
Total fund balances	258,168	480,722	567,781	113,601	63,224	1,483,496
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,465,013	670,722	1,121,419	435,558	63,224	3,755,936

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds (page 20)	\$	1,483,496
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*Amounts reported for governmental activities in the
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		750,143
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Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year, and therefore, are recognized as a deferred inflows of resources in the governmental funds.		133,218
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,589)
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Long-term liabilities, including general obligation bonds payable, capital loan note payable, computer lease payable, termination benefits payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(562,912)
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Net position of governmental activities (page 18)	\$	<u>1,802,356</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Managemet Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
REVENUES:						
Local sources:						
Local tax	\$ 1,043,725	500,387	109,834	190,403	-	1,844,349
Tuition	71,241	-	-	-	-	71,241
Other	74,579	6,834	113	66	127,419	209,011
State sources	1,519,043	-	243,976	-	-	1,763,019
Federal sources	111,403	-	-	-	-	111,403
Total revenues	2,819,991	507,221	353,923	190,469	127,419	3,999,023
EXPENDITURES:						
Current:						
Instruction:						
Regular	1,372,859	5,965	-	-	-	1,378,824
Special	319,830	-	-	-	-	319,830
Other	513,560	-	-	-	121,962	635,522
	2,206,249	5,965	-	-	121,962	2,334,176
Support services:						
Student	4,939	-	-	-	-	4,939
Instructional staff	15,860	-	-	-	-	15,860
Administration	386,714	-	-	-	-	386,714
Operation and maintenance of plant	320,927	98,279	131,874	-	-	551,080
Transportation	262,797	-	-	-	-	262,797
	991,237	98,279	131,874	-	-	1,221,390
Capital outlay	-	-	3,967	-	-	3,967
Long-term debt:						
Principal	-	-	-	320,454	-	320,454
Interest and fiscal charges	-	-	-	29,882	-	29,882
	-	-	-	350,336	-	350,336
Other expenditures:						
AEA flowthrough	114,425	-	-	-	-	114,425
Total expenditures	3,311,911	104,244	135,841	350,336	121,962	4,024,294
Excess(Deficiency) of revenues over(under) expenditures	(491,920)	402,977	218,082	(159,867)	5,457	(25,271)
Other financing sources(uses):						
Sale of equipment	775	-	-	-	-	775
Transfer in	-	-	-	158,990	-	158,990
Transfer out	-	-	(158,990)	-	-	(158,990)
Total other financing sources(uses)	775	-	(158,990)	158,990	-	775
Change in fund balances	(491,145)	402,977	59,092	(877)	5,457	(24,496)
Fund balances beginning of year	749,313	77,745	508,689	114,478	57,767	1,507,992
Fund balances end of year	\$ 258,168	480,722	567,781	113,601	63,224	1,483,496

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds (page 22) \$ (24,496)

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

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

Capital outlay	\$ 91,298	
Depreciation expense	(127,463)	
Loss on disposal	<u>(11,523)</u>	(47,688)

Income surtax account receivable is not available to finance expenditures of the current year period, and is recognized as deferred inflows of resources in the governmental funds. 7,480

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 320,454

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,478

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.

Termination benefits	3,230	
Net OPEB liability	<u>(10,303)</u>	<u>(7,073)</u>

Change in net position of governmental activities (page 19) \$ 250,155

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Enterprise School Nutrition</u>
Assets	
Cash and pooled investments	\$ 83,143
Inventories	1,052
Capital assets, net of accumulated depreciation	<u>14,331</u>
Total Assets	<u><u>98,526</u></u>
Liabilities	
Due to other funds	110,656
Unearned revenue	2,461
Net OPEB liability	<u>2,289</u>
Total Liabilities	<u><u>115,406</u></u>
Net Position	
Net investment in capital assets	14,331
Unrestricted	<u>(31,211)</u>
Total Net Position	<u><u>\$ (16,880)</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 54,896
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	25,581
Benefits	3,692
	29,273
Non-instructional programs:	
Food service operations:	
Salaries	43,182
Benefits	6,610
Services	117
Supplies	77,320
Depreciation	4,197
	131,426
TOTAL OPERATING EXPENSES	160,699
OPERATING LOSS	(105,803)
NON-OPERATING REVENUES:	
State sources	1,162
Federal sources	84,025
Interest income	16
TOTAL NON-OPERATING REVENUES	85,203
Change in net position	(20,600)
Net position beginning of year	3,720
Net position end of year	\$ (16,880)

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 55,352
Cash payments to employees for services	(78,767)
Cash payments to suppliers for goods or services	(67,283)
Net cash used in operating activities	(90,698)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	97,656
State grants received	1,162
Federal grants received	74,469
Net cash provided by non-capital financing activities	173,287
Cash flows from investing activities:	
Interest on investment	16
Net increase in cash and cash equivalents	82,605
Cash and cash equivalents beginning of year	538
Cash and cash equivalents end of year	\$ 83,143
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (105,803)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,556
Depreciation	4,197
Decrease in inventories	598
Increase in unearned revenue	456
Increase in other postemployment benefits	298
Net cash used in operating activities	\$ (90,698)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014 the District received Federal commodities valued at \$9,556.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Tri-County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Keswick, Gibson, Thornburg and What Cheer, Iowa, and the predominate agricultural territory in Iowa, Keokuk, Mahaska and Poweshiek County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa, Keokuk, Mahaska and Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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 service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund Accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to

accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and

March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

Asset Class	Estimated Useful Life
Buildings	20 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for the Superintendent's contract corresponding to the current school year, which has been accrued as a liability.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available.

Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the support services functional area and in total.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014 the District had investments in the Iowa School Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$47,001 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 127,069
Debt Service	Capital Projects: Physical Plant and Equipment Levy	31,921
Total		<u>\$ 158,990</u>

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's capital loan note indebtedness.

(4) Due From and Due To Other Funds

The detail of the interfund payables for the year ended June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 182,076
General	School Nutrition	110,656
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects, Physical Plant and Equipment Levy	122,216
Capital Projects, Physical Plant and Equipment Levy	Debt Service	47,772
Capital Projects, Physical Plant and Equipment Levy	General	49,320
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	122,951
Debt Service	Capital Projects, Physical Plant and Equipment Levy	31,920
Total		<u>\$ 666,911</u>

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

The School Nutrition Fund is repaying the General Fund for salaries and benefits paid to Nutrition Fund workers in the current and prior fiscal years.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for capital outlay expenditures paid which should have been paid from the Physical Plant and Equipment Levy Fund during the year.

The Debt Service Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for monies borrowed to make payments on the District's general obligation bonded indebtedness.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for income surtax money incorrectly receipted into the General Fund in current and prior fiscal years.

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the Debt Service Fund for debt payments on the District's computer lease indebtedness which were paid by Debt Service bank account but not reimbursed from the Capital Projects: Statewide Sales, Services and Use Tax Fund before year end.

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the Debt Service Fund for debt payments on the District's capital loan note indebtedness which were paid by the Debt Service bank account, but not reimbursed from the Capital Projects: Physical Plant and Equipment Levy Fund before year end.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,205	-	-	23,205
Total capital assets not being depreciated	<u>23,205</u>	-	-	<u>23,205</u>
Capital assets being depreciated:				
Buildings	3,264,810	91,298	17,730	3,338,378
Land improvements	229,220	-	-	229,220
Machinery and equipment	929,217	-	-	929,217
Total capital assets being depreciated	<u>4,423,247</u>	<u>91,298</u>	<u>17,730</u>	<u>4,496,815</u>
Less accumulated depreciation for:				
Buildings	2,775,246	89,040	6,207	2,858,079
Land improvements	154,713	5,956	-	160,669
Machinery and equipment	718,662	32,467	-	751,129
Total accumulated depreciation	<u>3,648,621</u>	<u>127,463</u>	<u>6,207</u>	<u>3,769,877</u>
Total capital assets being depreciated, net	<u>774,626</u>	<u>(36,165)</u>	<u>11,523</u>	<u>726,938</u>
Governmental activities capital assets, net	<u>\$ 797,831</u>	<u>(36,165)</u>	<u>11,523</u>	<u>750,143</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 70,967	-	-	70,967
Less accumulated depreciation	52,439	4,197	-	56,636
Business type activities capital assets, net	\$ 18,528	(4,197)	-	14,331

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 13,480
Support services:			
Student			1,900
Transportation			17,087
			<u>32,467</u>
Unallocated depreciation			<u>94,996</u>
Total governmental activities depreciation expense			<u>\$ 127,463</u>
Business type activities:			
Food service operations			<u>\$ 4,197</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 530,000	-	170,000	360,000	175,000
Capital loan note	88,932	-	28,390	60,542	29,627
Computer lease	182,029	-	122,064	59,965	59,965
Termination benefits	6,460	-	3,230	3,230	1,615
Net OPEB liability	68,872	10,303	-	79,175	-
Total	\$ 876,293	10,303	323,684	562,912	266,207
Business type activities:					
Net OPEB liability	\$ 1,991	298	-	2,289	-

Termination Benefits

The District did not offer a voluntary early retirement incentive to employees during fiscal year 2014. However, the District offered a voluntary early retirement plan to its certified employees during the year ended June 30, 2012. Eligible employees had to be at least age fifty-five and have completed twenty years of continuous service to the District. Employees were required to complete an application, which was subject to approval by the Board of Education.

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

At June 30, 2014, the District has an obligation to one participant with a total liability of \$3,230. Actual termination benefits paid during the year ended June 30, 2014, totaled \$3,230.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated August 1, 2003				
	Interest Rates	Principal	Interest	Total	
2015	3.75 %	\$ 175,000	13,685	188,685	
2016	3.85	185,000	7,122	192,122	
Total		<u>\$ 360,000</u>	<u>20,807</u>	<u>380,807</u>	

Capital Loan Note Payable

During the year ended June 30, 2012, the District issued \$143,452 of capital loan notes to finance a new roof. Details of the District's June 30, 2014 capital loan note indebtedness are as follows:

Year Ending June 30,	Loan Note Dated July 15, 2011				
	Interest Rates	Principal	Interest	Total	
2015	4.25 %	\$ 29,627	2,294	31,921	
2016	4.25	30,915	1,006	31,921	
Total		<u>\$ 60,542</u>	<u>3,300</u>	<u>63,842</u>	

Computer Lease Payable

Details of the District's June 30, 2014 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease Dated October 26, 2010				Computer Lease Dated November 23, 2010			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total	
2015	1.88 %	\$ 9,301	87	2.81 %	\$ 50,664	1,423	\$ 59,965	1,510	61,475	

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$170,769, \$155,980, and \$145,903 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 32 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	14,453
Interest on net OPEB obligation		1,772
Adjustment to annual required contribution		(4,442)
Annual OPEB cost		<u>11,783</u>
Contributions made		<u>(1,182)</u>
Increase in net OPEB obligation		10,601
Net OPEB obligation beginning of year		<u>70,863</u>
Net OPEB obligation end of year	\$	<u><u>81,464</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, 2014.

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
2012	\$ 32,336	46.39%	\$ 60,515
2013	11,296	8.39%	70,863
2014	11,783	10.03%	81,464

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date

for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$98,442, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$98,442. The covered payroll (annual payroll of active employees covered by the plan) was \$1,656,887, and the ratio of the UAAL to covered payroll was 5.94%. As of June 30, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6%.

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

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

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$114,425 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Beginning teacher mentoring and induction programs	\$ 289
Teacher salary supplement	2,828
Four-year-old preschool state aid	2,507
Professional development for model core curriculum	7,689
Professional development	11,002
Teacher leadership grants	3,768
Total	<u>\$ 28,083</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. For the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services functional area as well as in total.

(13) Deficit Fund Balance/Net Position

The Student Activity Fund had one account with a deficit balance of \$43 at year end resulting in a deficit unassigned fund balance of \$43 at June 30, 2014. The District also had a deficit unrestricted net position of \$31,211 and a deficit total net position of \$16,880 in the School Nutrition Fund at June 30, 2014.

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	480,722	113,601	230,085
Capital assets, net of accumulated depreciation	750,143	-	-	-
General obligation bond capitalized indebtedness	(360,000)	-	-	-
Capital loan note capitalized indebtedness	(60,542)	-	-	-
Computer lease indebtedness	-	-	-	(59,965)
Termination benefits	-	(3,230)	-	-
Accrued interest payable	-	-	(1,589)	-
Deficit student activities	-	-	-	(43)
Income surtax	-	-	-	133,218
Net OPEB liability	-	-	-	(79,175)
Net position (Exhibit A)	<u>\$ 329,601</u>	<u>477,492</u>	<u>112,012</u>	<u>224,120</u>

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,124,601	54,912	2,179,513	2,290,133	2,290,133	(110,620)
State sources	1,763,019	1,162	1,764,181	1,576,613	1,576,613	187,568
Federal sources	111,403	84,025	195,428	182,000	182,000	13,428
Total revenues	<u>3,999,023</u>	<u>140,099</u>	<u>4,139,122</u>	<u>4,048,746</u>	<u>4,048,746</u>	<u>90,376</u>
Expenditures/Expenses:						
Instruction	2,334,176	-	2,334,176	2,415,900	2,415,900	81,724
Support services	1,221,390	29,273	1,250,663	854,600	854,600	(396,063)
Non-instructional programs	-	131,426	131,426	135,000	135,000	3,574
Other expenditures	468,728	-	468,728	574,609	574,609	105,881
Total expenditures/expenses	<u>4,024,294</u>	<u>160,699</u>	<u>4,184,993</u>	<u>3,980,109</u>	<u>3,980,109</u>	<u>(204,884)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(25,271)	(20,600)	(45,871)	68,637	68,637	(114,508)
Other financing sources, net	<u>775</u>	<u>-</u>	<u>775</u>	<u>-</u>	<u>-</u>	<u>775</u>
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures/expenses	(24,496)	(20,600)	(45,096)	68,637	68,637	(113,733)
Balances beginning of year	<u>1,507,992</u>	<u>3,720</u>	<u>1,511,712</u>	<u>1,526,850</u>	<u>1,526,850</u>	<u>(15,138)</u>
Balances end of year	<u>\$ 1,483,496</u>	<u>(16,880)</u>	<u>1,466,616</u>	<u>1,595,487</u>	<u>1,595,487</u>	<u>(128,871)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services functional area and in total.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014

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	\$ -	\$ 215,000	\$ 215,000	0.00%	\$ 2,736,818	7.86%
2011	July 1, 2009	-	215,000	215,000	0.00%	1,977,984	10.87%
2012	July 1, 2009	-	215,000	215,000	0.00%	1,807,973	11.89%
2013	July 1, 2012	-	97,293	97,293	0.00%	1,316,224	7.39%
2014	July 1, 2012	-	98,442	98,442	0.00%	1,656,887	5.94%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 480,637	202,952	683,589
Receivables:			
Property tax:			
Delinquent	-	1,230	1,230
Succeeding year	-	50,069	50,069
Income surtax	-	44,406	44,406
Due from other funds	122,216	97,092	219,308
Due from other governments	122,817	-	122,817
Total Assets	\$ 725,670	395,749	1,121,419
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other funds	\$ 305,027	154,136	459,163
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	50,069	50,069
Income surtax	-	44,406	44,406
Total deferred inflows of resources	-	94,475	94,475
Fund balances:			
Restricted for:			
School infrastructure	420,643	-	420,643
Physical plant and equipment	-	147,138	147,138
Total fund balances	420,643	147,138	567,781
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 725,670	395,749	1,121,419

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	109,834	109,834
Other	-	113	113
State sources	243,976	-	243,976
Total revenues	243,976	109,947	353,923
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	131,874	131,874
Capital outlay	-	3,967	3,967
Total expenditures	-	135,841	135,841
Excess(Deficiency) of revenues over(under) expenditures	243,976	(25,894)	218,082
Other financing uses:			
Transfer out	(127,069)	(31,921)	(158,990)
Change in fund balances	116,907	(57,815)	59,092
Fund balances beginning of year	303,736	204,953	508,689
Fund balances end of year	\$ 420,643	147,138	567,781

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Drama	\$ 1,923	4,653	4,865	-	1,711
Inst/vocal trip	3,544	-	230	-	3,314
Basketball	-	882	373	141	650
Girl's Basketball	-	692	608	-	84
Volleyball	-	-	-	2,874	2,874
Athletic resale	6,086	12,233	8,109	(10,210)	-
Athletic gate receipts	-	24,775	1,926	(20,725)	2,124
P.C. fund	1,034	80	620	(494)	-
Baseball	-	2,617	1,660	149	1,106
Wrestling	-	2,216	1,100	485	1,601
Student interest	65	42	150	-	(43)
Student petty cash	46	-	-	-	46
Student council	2,584	3,424	1,573	-	4,435
TAG	-	285	128	-	157
Cheerleading	-	3,429	1,802	352	1,979
Dance squad	398	250	431	-	217
National honor society	1,602	1,249	981	-	1,870
JH miscellaneous	909	-	-	(909)	-
Annual 2008-09	-	140	-	(140)	-
Class of 2013	-	50	-	(50)	-
Class of 2014	7,210	20,748	26,135	(1,823)	-
Class of 2015	2,721	4,503	885	93	6,432
Class of 2016	1,541	1,512	-	520	3,573
Class of 2017	942	914	-	911	2,767
Class of 2018	-	618	-	1,258	1,876
FCCLA	2,654	2,671	3,163	-	2,162
Trojan annual	7,485	4,425	6,609	140	5,441
FFA	6,918	15,134	18,760	-	3,292
Horticulture	1,669	1,406	1,477	-	1,598
Instrumental	1,233	344	773	-	804
Shop resale	375	-	-	-	375
Youth Sports	-	3,744	2,114	-	1,630
Elementary Trojans	1,147	2,637	840	-	2,944
Elementary fund raisers	5,681	6,139	3,620	-	8,200
Elementary library books	-	2,531	2,526	-	5
Athletics non-resale	-	727	19,956	19,229	-
Track	-	2,334	3,583	1,249	-
Football	-	15	5,572	5,557	-
Softball	-	-	1,393	1,393	-
Total	\$ 57,767	127,419	121,962	-	63,224

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,844,349	2,118,670	2,034,364	1,799,952	1,710,225	1,589,720	1,480,082	1,558,501	1,505,041	1,500,142
Tuition	71,241	81,779	20,591	114,737	55,460	45,330	99,472	71,744	97,048	83,664
Other	209,011	165,901	208,277	200,676	210,029	239,005	235,323	292,229	271,836	237,375
State sources	1,763,019	1,478,277	1,697,115	1,516,565	1,419,810	1,757,254	1,685,116	1,579,975	1,602,663	1,464,820
Federal sources	111,403	126,684	176,513	193,575	289,583	139,586	122,882	126,530	133,778	106,165
Total	\$ 3,999,023	3,971,311	4,136,860	3,825,505	3,685,107	3,770,895	3,622,875	3,628,979	3,610,366	3,392,166
Expenditures:										
Instruction:										
Regular	\$ 1,378,824	1,331,503	1,257,067	1,742,665	1,359,485	1,358,594	1,378,382	1,273,126	1,159,799	1,263,162
Special	319,830	372,676	270,907	362,728	406,540	404,524	489,216	485,136	491,618	411,429
Other	635,522	626,997	606,898	680,156	619,654	584,454	368,264	378,135	340,554	392,457
Support services:										
Student	4,939	5,571	3,115	3,200	5,138	1,754	18,750	31,031	57,696	55,533
Instructional staff	15,860	15,620	39,340	28,838	47,860	49,453	57,315	62,312	65,420	25,097
Administration	386,714	403,375	342,572	403,479	300,081	368,835	383,751	323,994	335,427	380,622
Operation and maintenance of plant	551,080	430,330	373,703	407,071	375,102	358,536	364,777	330,843	316,066	294,170
Transportation	262,797	255,282	228,842	236,129	241,110	234,187	219,808	272,527	200,568	228,497
Non-instructional programs	-	-	-	-	150	-	7,608	19,554	20,641	32,054
Capital outlay	3,967	10,516	157,699	92,659	76,121	217,403	190,462	157,535	92,957	54,543
Long-term debt:										
Principal	320,454	310,886	297,720	155,000	150,000	145,000	140,000	135,000	130,000	125,000
Interest and fiscal charges	29,882	38,091	47,300	35,940	40,390	44,392	50,563	55,743	59,867	65,268
Other expenditures:										
AEA flowthrough	114,425	109,846	111,566	126,091	126,997	119,869	114,659	110,869	106,737	106,686
Total	\$ 4,024,294	3,910,693	3,736,729	4,273,956	3,748,628	3,887,001	3,783,555	3,635,805	3,377,350	3,434,518

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-C-14 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Tri-County Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2014
Newton, Iowa

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following areas had individuals performing incompatible duties for the District.

1) *Cash* - initiating cash receipt and disbursement transactions and handling and recording cash and reconciling in the Activity Fund.

2) *Investments* - investing, detailed recordkeeping, custody of investments.

3) *Receipts* - collecting, recording, and depositing in the Student Activity Fund.

4) *School lunch program* - collecting receipts, recording and depositing.

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

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

Conclusion - The District will maintain a complete list of additions, deletions, and current assets for reporting purposes.

I-B-14 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept by the District in the fixed asset module as part of the District's Uniform Financial Accounting System, however, we noted these records were not updated by District personnel, and were subsequently adjusted after certification of the Certified Annual Report. Fixed assets are required to be maintained for financial statement presentation and updated with appropriate additions, deletions, and depreciation expense annually in accordance with the District's capital asset policy.

Recommendation - The District should have a complete list of additions, deletions, and current assets for reporting purposes.

Response - The District will maintain a complete list of additions, deletions and current assets for reporting purposes.

Conclusion - Response accepted.

I-C-14 Gate Admissions - We noted pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

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

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

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

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified budgeted amounts in the support services functional area and in total.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will monitor expenditure more closely and will timely amend the budget if needed.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - During our audit we noted instances of questioned items as follows:

Gift Cards: We noted during our audit that the District purchased gift cards from the Student Activity Fund to be given out as homecoming prizes. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979 and it does not allow the Board to "audit and allow" the final purchase.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

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

Conclusion - Response accepted.

Retirement Gift Purchases: We noted check #44513 out of the general fund was used to purchase multiple \$70 commemorative clocks to be given to employees who retired during the year.

Recommendation - Article III, Section 31 of the Constitution of Iowa provides that public funds may only be spent for the public benefit. Expenditures in these "gray" areas should be evaluated and determined through the criteria of "public purpose" and the Board should document the public purpose served including how the public benefits through the expenditure of public funds for the particular purpose such as gift awards to staff. Documentation should be in the Board minutes and/or through established Board policy. The decision and documentation should be in place prior to spending the public funds. Keep in mind, this decision and related documentation may not eliminate the shadow of doubt surrounding this type of expenditure. It simply establishes the District's consideration and justification for the expenditure. Better alternatives would be to ask an outside organization such as a Booster Club to provide the gifts to the teachers in lieu of using public funds for the purchase.

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

Conclusion - Response accepted.

II-C-14 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. However, we noted discrepancies in travel expenses as follows:

Mileage Reimbursement: We noted an instance where the Superintendent was reimbursed at a \$0.33 per mile rate which does not appear to align with District Board Policy 401.7 which states employees are to be reimbursed at a rate of \$0.28 per mile if a school district vehicle is not available.

Recommendation - The District should reimburse mileage at the same rate stated in the District's Board Policy.

Response - The District will reimburse mileage at the same rate stated in the District's board policy.

Conclusion - Response accepted.

Credit Card Travel Reimbursement: We noted a District credit card purchase for hotel rooms used by the District's FFA club, which was not supported by a detailed receipt. According to board policy number 401.10, a detailed receipt must be turned in for every purchase made with the District credit card. Failure to provide a detailed receipt will make it a personal expense of the employee.

Recommendation - The District should review procedures in place with personnel using District credit cards to ensure they are in compliance with board policy. District should review procedures and controls with the appropriate personnel to ensure the District's board policy is followed and enforced.

Response - We will ensure that supporting documentation is obtained to support all credit card purchases.

Conclusion - Response accepted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Schroeder, Board Member		
Spouse owns Schroeder's Service	Repairs	\$667
Father-in-law owns Schroeder Frame and Alignment LLC	Repairs	\$556
Berdette Ogden, Board Member		
Spouse owns Ogden Oil Company	Fuel	\$148
Justin Lear, Board Member		
Owns J&R Construction	Purchased Services	\$90
Karen Sieren, Board Member		
Brother-in-law owns Matt Dobbins Mowing	Purchased Services	\$2,800

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

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with Board Member Justin Leer do not appear to represent a conflict of interest.

- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted District board minutes were not always published in a timely manner.
- Recommendation - The District should publish District board minutes within two weeks of the Board meeting, as required by Chapter 279.35 of the Code of Iowa.
- Response - We will publish District board minutes within two weeks of the board meeting, as required by Chapter 279.35 of the Code of Iowa.
- Conclusion - Response accepted.
- II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education, and we noted no significant deficiencies in amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit.

Beginning balance	\$ 303,736
Revenues:	
Sales tax revenues	243,976
	<hr/> 547,712
Transfers to other funds:	
Debt service fund	127,069
	<hr/>
Ending balance	<u>\$ 420,643</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Financial Condition - The District's School Nutrition Fund had a deficit unrestricted net position of \$31,211 and a deficit total net position of \$16,880 as of June 30, 2014. We also noted one deficit account in the Student Activity fund resulting in a deficit unassigned fund balance of \$43 at June 30, 2014.

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

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

Conclusion - Response accepted.

II-N-14 Student Activity Fund - During our audit issues arose about the properness of certain accounts and revenues/ expenses within the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned accounts are as follows:

Lifetouch Picture Commissions: We noted during our audit that Lifetouch Picture commissions were being receipted to the Student Activity Fund. According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Since commissions are not identified as allowable to the Student Activity Fund, they should be put in the General Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch Picture commissions should be receipted into the General Fund.

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

Conclusion - Response accepted.

Box Top Donations: We noted during our audit that the District receipts Box Tops donations into the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

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

Conclusion - Response accepted.

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

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

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

Conclusion - Response accepted.

Book Fairs: We noted Scholastic Book Fairs were being maintained in the Student Activity Fund in the Elementary Library Books Account. Book fair proceeds were used to buy books for the library.

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

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

Conclusion - Response accepted.

II-O-14 Payroll Authorization - We noted during our audit that the District does not have authorization per Chapter 91A.3 of the Code of Iowa to physically mail employee's payroll checks through the U.S. mail.

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

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

Conclusion - Response accepted.

II-P-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

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

Response - District will track hours of non-certified staff coaches.

Conclusion - Response accepted.

II-Q-14 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Student Activity Fund which have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will review the outstanding checks and determine the appropriate action.

Conclusion - Response accepted.

II-R-14 Officiating Contracts - We noted during our audit that Activity Fund officiating contracts are not currently signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-S-14 District and Regional Rents - We noted during our audit that the District receives rent money for the use of facilities when hosting district and regional events athletic events. The District currently receipts this district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

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

Conclusion - Response accepted.