

Tripoli Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
Tripoli Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District, Tripoli, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Tripoli 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

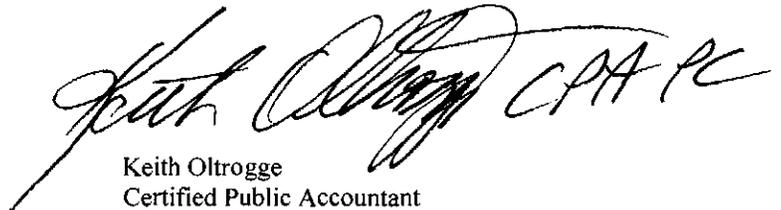
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tripoli Community School District's basic financial statements. I 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated March 3, 2015 on my consideration of Tripoli Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tripoli Community School District's internal control over financial reporting and compliance.


Keith Oltrogge
Certified Public Accountant

March 3, 2015

Tripoli Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Tripoli 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 \$4,630,097 in fiscal 2013 to \$4,297,507 in fiscal 2014, and General Fund expenditures increased from \$4,839,401 in fiscal 2013 to \$5,092,822 in fiscal 2014. The District's General Fund balance decreased from adjusted \$1,047,366 in the fiscal year 2013 to \$252,457 in the fiscal year 2014, a 75.9% decrease.
- The decrease in General Fund revenues was attributable to a decrease in local, state and federal grant revenue in fiscal year 2014. The increase in expenditures was due primarily to an increase in instruction and support services.
- The District's solvency ratio decreased from 16.4% in 2013 to 1.9% in fiscal 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations..

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 Tripoli 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 Tripoli 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 Tripoli Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

Figure A-1
Tripoli Community School District Annual Financial Report

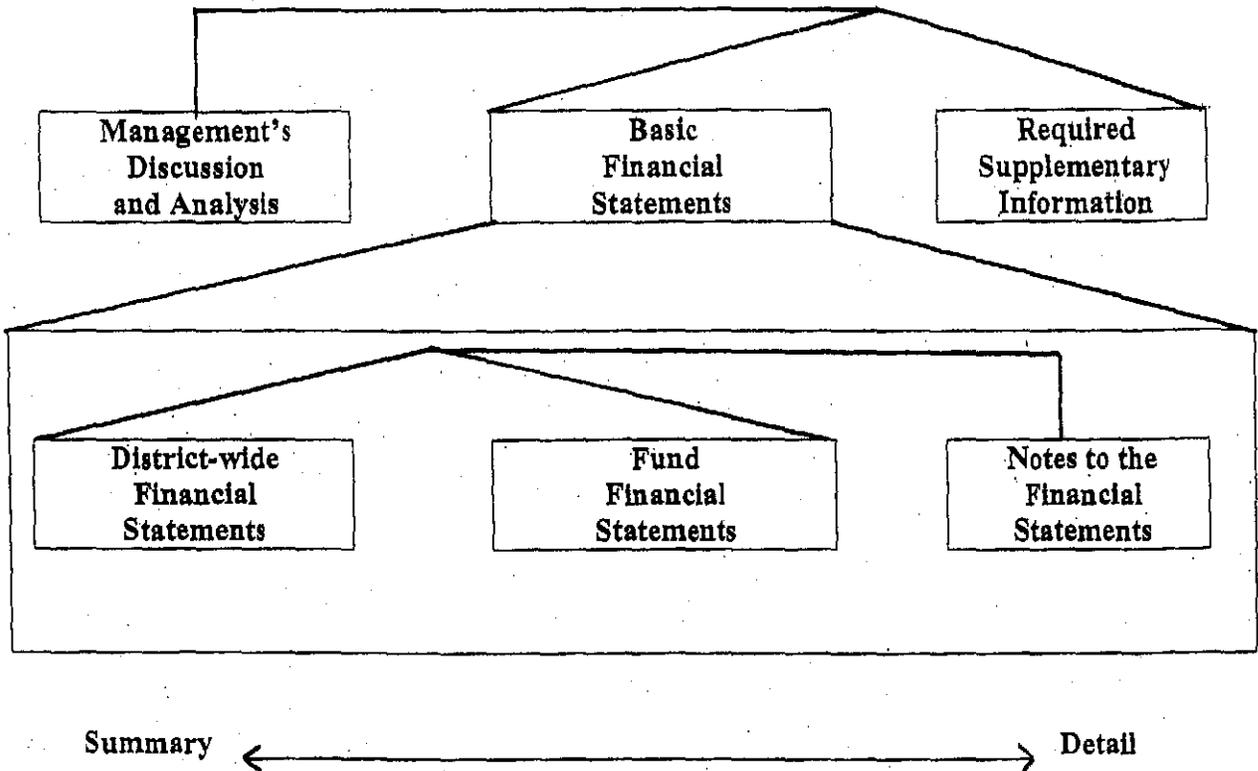


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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 financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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, Capital Projects Fund and Debt Service Fund.

The required financial statements for 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, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District has two Enterprise Funds; the School Nutrition Fund and the Before and After School Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$3,510,605	\$4,821,234	\$57,313	\$47,126	\$3,567,918	\$4,868,360	-26.7%
Capital assets	9,370,148	8,961,171	24,388	27,860	9,394,536	8,989,031	4.5%
Total assets	\$12,880,753	\$13,782,405	\$81,701	\$74,986	\$12,962,454	\$13,857,391	-6.5%
Long-term liabilities	\$3,676,497	\$3,922,349	\$-	\$-	\$3,676,497	\$3,922,349	-6.3%
Other liabilities	821,256	1,046,622	4,757	2,548	826,013	1,049,170	-21.3%
Total liabilities	\$4,497,753	\$4,968,971	\$4,757	\$2,548	\$4,502,510	\$4,971,519	-9.4%
Deferred inflows of resources	\$1,743,054	\$1,584,512	\$-	\$-	\$1,743,054	\$1,584,512	10.0%
Net position:							
Net investment in capital assets	\$5,788,101	\$5,173,472	\$24,388	\$27,860	\$5,812,489	\$5,201,332	11.8%
Restricted	551,241	1,027,668	-	-	551,241	1,027,668	-46.4%
Unrestricted	298,062	1,027,782	55,098	44,578	353,160	1,072,360	-67.1%
Total net position	\$6,637,404	\$7,228,922	\$79,486	\$72,438	\$6,716,890	\$7,301,360	-8.0%

The District's combined net position decreased by nearly 8.0%, or \$584,470, over the prior year. The largest portion of the District's net position is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$476,427, or 46.4% over the prior year. The decrease was primarily the result of expenditures of the general obligation bonds.

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 by \$719,200, or 67.1% due to general fund expenditures exceeding revenue.

Figure A-4 shows the change 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 Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$401,583	\$515,705	\$147,077	\$124,587	\$548,660	\$640,292	-14.3%
Operating grants, contributions and restricted interest	767,659	792,304	98,806	94,134	866,465	886,438	-2.3%
Capital grants, contributions and restricted interest	-	29,292	-	-	-	29,292	-100%
General revenues:							
Property tax	1,585,009	1,594,943	-	-	1,585,009	1,594,943	-0.6%
Income surtax	240,508	186,914	-	-	240,508	186,914	28.7%
Statewide sales, service and use tax	390,778	321,080	-	-	390,778	321,080	21.7%
Unrestricted state grants	1,869,418	2,147,212	-	-	1,869,418	2,147,212	12.9%
Unrestricted investment earnings	26,381	46,164	312	394	26,693	46,558	-42.7%
Other	36,602	18,827	-	-	36,602	18,827	94.4%
Total revenues	\$5,317,938	\$5,652,441	\$246,195	\$219,115	\$5,564,133	\$5,871,556	-5.2%
Program expenses:							
Governmental activities:							
Instruction	\$4,114,402	\$3,940,825	\$-	\$-	\$4,114,402	\$3,940,825	4.4%
Support services	1,488,637	1,270,187	-	-	1,488,637	1,270,187	17.2%
Non-instructional programs	2,473	-	239,147	244,120	241,620	244,120	-1.0%
Other expenses	305,088	314,831	-	-	305,088	314,831	-3.1%
Total expenses	\$5,910,600	\$5,525,843	\$239,147	\$244,120	\$6,149,747	\$5,769,963	6.6%
Change in net position before sale of assets	-\$592,662	\$126,598	\$7,048	-\$25,005	-\$585,614	\$101,593	-476.4%
Sale of assets	406	4,832	-	-	406	4,832	-91.6%
Change in net position	-\$592,256	\$131,430	\$7,048	-\$25,005	-\$585,208	\$106,425	-449.9%
Net position, beginning of year	\$7,228,922	\$7,097,492	\$72,438	\$97,443	\$7,301,360	\$7,194,935	1.5%
Prior period adjustment	738	-	-	-	738	-	100%
Adjusted net position, beginning of year	\$7,229,660	\$7,097,492	\$72,438	\$97,443	\$7,302,098	\$7,194,935	1.5%
Net position, end of year	\$6,637,404	\$7,228,922	\$79,486	\$72,438	\$6,716,890	\$7,301,360	-8.0%

In fiscal year 2014, property tax and unrestricted state grants account for 62.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$5.5 million, of which approximately \$5.3 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.2% decrease in revenues and a 6.6% increase in expenses. Property tax decreased \$9,934. The increase in expenses is related to an increase in instruction and support services.

Governmental Activities

Revenues for governmental activities were \$5,317,938 and expenses were \$5,910,600 for the year ended June 30, 2014. In a difficult budget year, the District used a portion of its carryover fund balance.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 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 2013-2014	2014	2013	Change 2013-2014
Instruction	\$4,114,402	\$3,940,825	4.4%	\$2,951,873	\$2,636,424	12.0%
Support services	1,488,637	1,270,187	17.2%	1,481,924	1,266,579	17.0%
Non-instructional programs	2,473	-	100%	2,473	-	100%
Other expenses	305,088	314,831	-3.1%	305,088	285,539	-3.1%
Totals	\$5,910,600	\$5,525,843	7.0%	\$4,741,358	\$4,188,542	13.2%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$548,660.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$866,465.
- The net cost of governmental activities was financed with \$2,216,295 in property and other taxes and \$1,869,418 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$246,195 and expenses were \$239,147. The District's business type activities include the School Nutrition Fund and Before and After School Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tripoli 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 a combined fund balances of \$6,637,404, below last year's adjusted ending fund balances of \$7,229,660.

Governmental Fund Highlights

- The District's decreased General Funds financial position is the result of many factors. Decreases during the year in local, state and federal grants resulted in a decrease in revenues. The District's increase in General Fund expenditures was due to increases in instruction and support services.
- The General Fund balance decreased from adjusted \$1,047,366 to \$252,457, due in part to the increase in expenditures.
- The Capital Projects Fund balance decreased from \$639,039 to \$230,042 due in part to the expenditures of the \$3,100,000 general obligation bonds.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$60,485 to \$69,599 at June 30, 2014, due in part to the increase in revenue.
- Before and After School Fund net position decreased from \$11,953 to \$9,887 due to the increase in expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, Tripoli Community School District amended its budget one time to reflect additional expenditures for the non-instructional programs and other expenditure functions.

The District's receipts were \$47,305 less than budgeted receipts, a variance of 0.9%.

The District's 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 budgeting practice, the certified amended budget was exceeded in the support services functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated, fund balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authorization to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent budget authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review Committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well as unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2013 and 2014.

	Unspent Budget Authority Comparison		
	2013	2014	Change
Budget Revenue			
Maximum General Fund District Cost	\$3,739,912	\$3,709,000	-\$30,912
Preschool Foundation Aid	57,010	30,605	-26,405
Instructional Support Fund	203,427	205,553	2,126
Other Miscellaneous Income	606,672	458,610	-148,062
Previous Year Unspent Budget Authority	1,839,071	1,606,691	-232,380
Maximum Budget Authority	\$6,446,092	\$6,010,459	-\$435,633
Total Expenditures	-\$4,839,401	-\$5,092,823	\$253,422
End Fiscal Year Unspent Budget Authority	\$1,606,691	\$917,636	-\$689,055

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$9,394,536, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 4.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$426,838.

The original cost of the District's capital assets was \$15,201,177. Governmental funds account for \$15,141,887, with the remainder of \$59,290 for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category due to the completion of the project.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	-
Construction in process	-	3,041,692	-	-	-	3,041,692	-100%
Buildings	8,415,317	5,052,092	-	-	8,415,317	5,052,092	66.6%
Improvements other than buildings	338,814	338,143	-	-	338,814	338,143	0.2%
Furniture and equipment	582,517	495,744	24,388	27,860	606,905	523,604	15.9%
Totals	\$9,370,148	\$8,961,171	\$24,388	\$27,860	\$9,394,536	\$8,989,031	4.5%

Long-Term Debt

At June 30, 2014, the District had \$3,582,047 in other long-term debt outstanding. This represents a decrease of 5.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding debt is significantly below its constitutional debt limit of approximately \$10.7 million.

Figure A-7
Outstanding Long-term Obligations

	Total District June 30, 2014	Total Change June 30, 2013	Total Change June 30, 2013-2014
General obligation bonds	\$3,100,000	\$3,100,000	-
Notes payable	482,047	687,699	-30.0%
Totals	\$3,582,047	\$3,787,699	-5.4%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment declines are a concern for the School District as total certified enrollment has declined 9 students during the last year. The enrollment decline will mean less state aid in future years.

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 Brittany McNeil, District Secretary/Business Manager, Tripoli Community School District, 209 8th Avenue SW, Tripoli IA 50676.

Basic Financial Statements

Tripoli Community School District

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents and Pooled Investments:			
Restricted	\$ 300,000	\$ -	\$ 300,000
Other	1,009,333	33,998	1,043,331
Receivables:			
Property tax:			
Delinquent	14,630	-	14,630
Succeeding year	1,743,054	-	1,743,054
Income surtax	189,957	-	189,957
Accounts	19,881	1,824	21,705
Prepaid expenses	35,118	-	35,118
Prepaid OPEB	17,224	-	17,224
Due from other governments	181,408	-	181,408
Inventories	-	21,491	21,491
Capital assets, net of accumulated depreciation	9,370,148	24,388	9,394,536
Total Assets	\$ 12,880,753	\$ 81,701	\$ 12,962,454
Liabilities			
Accounts payable	\$ 151,265	\$ 277	\$ 151,542
Salaries and benefits payable	362,834	-	362,834
Accrued interest payable	7,157	-	7,157
Unearned revenue	-	4,480	4,480
Bank warrants payable	300,000	-	300,000
Long-term liabilities:			
Portion due within one year:			
Notes payable	210,185	-	210,185
Early retirement	35,800	-	35,800
Portion due after one year:			
General obligation bonds	3,100,000	-	3,100,000
Notes payable	271,862	-	271,862
Early retirement	58,650	-	58,650
Total Liabilities	\$ 4,497,753	\$ 4,757	\$ 4,502,510
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 1,743,054	\$ -	\$ 1,743,054
Net Position			
Net investment in capital assets	\$ 5,788,101	\$ 24,388	\$ 5,812,489
Restricted for:			
Categorical funding	154,419	-	154,419
Management	48,436	-	48,436
Physical plant and equipment	43,753	-	43,753
Student activities	118,344	-	118,344
Capital projects	186,289	-	186,289
Unrestricted	298,062	55,098	353,160
Total Net Position	\$ 6,637,404	\$ 79,486	\$ 6,716,890

See notes to financial statements.

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,001,635	\$ 123,070	\$ 659,813	\$ -
Special instruction	526,893	34,066	42,794	-
Other instruction	585,874	244,447	58,339	-
	<u>\$ 4,114,402</u>	<u>\$ 401,583</u>	<u>\$ 760,946</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 104,842	\$ -	\$ 2,573	\$ -
Instructional staff services	144,998	-	-	-
Administration services	516,922	-	-	-
Operation and maintenance of plant services	532,720	-	-	-
Transportation services	189,155	-	4,140	-
	<u>\$ 1,488,637</u>	<u>\$ -</u>	<u>\$ 6,713</u>	<u>\$ -</u>
Non-instructional programs	\$ 2,473	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 22,119	\$ -	\$ -	\$ -
Long-term debt interest	94,672	-	-	-
AEA flow-through	188,297	-	-	-
	<u>\$ 305,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,910,600</u>	<u>\$ 401,583</u>	<u>\$ 767,659</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 218,385	\$ 128,466	\$ 98,806	\$ -
Child care operations	20,762	18,611	-	-
	<u>\$ 239,147</u>	<u>\$ 147,077</u>	<u>\$ 98,806</u>	<u>\$ -</u>
Total	<u>\$ 6,149,747</u>	<u>\$ 548,660</u>	<u>\$ 866,465</u>	<u>\$ -</u>

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities		Business Type Activities		Total
\$	-2,218,752	\$	-	\$ -2,218,752
	-450,033		-	-450,033
	-283,088		-	-283,088
\$	-2,951,873	\$	-	\$ -2,951,873
\$	-102,269	\$	-	\$ -102,269
	-144,998		-	-144,998
	-516,922		-	-516,922
	-532,720		-	-532,720
	-185,015		-	-185,015
\$	-1,481,924	\$	-	\$ -1,481,924
\$	-2,473	\$	-	\$ -2,473
\$	-22,119	\$	-	\$ -22,119
	-94,672		-	-94,672
	-188,297		-	-188,297
\$	-305,088	\$	-	\$ -305,088
\$	-4,741,358	\$	-	\$ -4,741,358
\$	-	\$	8,887	\$ 8,887
	-		-2,151	-2,151
\$	-	\$	6,736	\$ 6,736
\$	-4,741,358	\$	6,736	\$ -4,734,622

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest

General Revenues:

- Property Tax Levied For:
 - General purposes
 - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total General Revenues

- Change in net position
- Other financing sources:
 - Sale of assets
- Net change in net position

- Net position beginning of year
- Prior period adjustment

Adjusted net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 1,379,321	\$ -	\$ 1,379,321
205,688	-	205,688
240,508	-	240,508
390,778	-	390,778
1,869,418	-	1,869,418
26,381	312	26,693
36,602	-	36,602
<hr/>		
\$ 4,148,696	\$ 312	\$ 4,149,008
<hr/>		
\$ -592,662	\$ 7,048	\$ -585,614
406	-	406
<hr/>		
\$ -592,256	\$ 7,048	\$ -585,208
<hr/>		
\$ 7,228,922	\$ 72,438	\$ 7,301,360
738	-	738
<hr/>		
\$ 7,229,660	\$ 72,438	\$ 7,302,098
<hr/>		
\$ 6,637,404	\$ 79,486	\$ 6,716,890

Tripoli Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Assets				
Cash, Cash Equivalents and Pooled Investments:				
Restricted	\$ 300,000	\$ -	\$ -	\$ 300,000
Other	672,472	79,571	257,290	1,009,333
Receivables:				
Property Tax:				
Delinquent	11,120	1,894	1,616	14,630
Succeeding year	1,426,493	216,562	99,999	1,743,054
Income surtax	189,957	-	-	189,957
Accounts	19,881	-	-	19,881
Prepaid expenses	31,768	-	3,350	35,118
Due from other funds	32,831	148,577	-	181,408
Due from other governments	-	-	608	608
Total assets	\$ 2,684,522	\$ 446,604	\$ 362,863	\$ 3,493,989
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Due to other funds	\$ 3,150	\$ -	\$ -	\$ 3,150
Accounts payable	149,631	-	1,634	151,265
Salaries and benefits payable	362,834	-	-	362,834
Bank warrants payable	300,000	-	-	300,000
Total liabilities	\$ 815,615	\$ -	\$ 1,634	\$ 817,249
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ 1,426,493	\$ 216,562	\$ 99,999	\$ 1,743,054
Other	189,957	-	-	189,957
Total deferred inflows of resources	\$ 1,616,450	\$ 216,562	\$ 99,999	\$ 1,933,011
Fund Balances:				
Restricted for:				
Categorical funding	\$ 154,419	\$ -	\$ -	\$ 154,419
Management levy purposes	-	-	142,886	142,886
Student activities	-	-	118,344	118,344
School infrastructure	-	186,289	-	186,289
Physical plant and equipment	-	43,753	-	43,753
Unassigned	98,038	-	-	98,038
Total fund balances	\$ 252,457	\$ 230,042	\$ 261,230	\$ 743,729
Total liabilities, deferred inflows of resources and fund balances	\$ 2,684,522	\$ 446,604	\$ 362,863	\$ 3,493,989

See notes to financial statements.

Tripoli 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 17)	\$ 743,729
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	9,370,148
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and therefore, are recognized as deferred inflows of resources in the governmental funds.	189,957
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	17,224
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds	-7,157
Long-term liabilities, including notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>-3,976,497</u>
Net position of governmental activities (page 14)	<u>\$ 6,337,404</u>

Tripoli Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,436,443	\$ 596,466	\$ 175,055	\$ 2,207,964
Tuition	143,803	-	-	143,803
Other	80,415	4,779	235,569	320,763
Intermediate sources	-	-	-	-
State sources	2,487,586	125	106	2,487,817
Federal sources	149,260	-	-	149,260
Total Revenues	\$ 4,297,507	\$ 601,370	\$ 410,730	\$ 5,309,607
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,649,708	\$ -	\$ 41,077	\$ 2,690,785
Special instruction	526,893	-	-	526,893
Other instruction	428,605	-	233,947	662,552
	\$ 3,605,206	\$ -	\$ 275,024	\$ 3,880,230
Support Services:				
Student services	\$ 104,842	\$ -	\$ -	\$ 104,842
Instructional staff services	162,672	-	-	162,672
Administration services	465,654	-	44,648	510,302
Operation and maintenance of plant services	429,180	-	89,088	518,268
Transportation services	136,971	57,650	12,140	206,761
	\$ 1,299,319	\$ 57,650	\$ 145,876	\$ 1,502,845
Other Expenditures:				
Facilities acquisition	\$ -	\$ 651,610	\$ -	\$ 651,610
Long-Term Debt:				
Principal	-	-	205,652	205,652
Interest and fiscal charges	-	-	95,455	95,455
AEA flow-through	188,297	-	-	188,297
	\$ 188,297	\$ 651,610	\$ 301,107	\$ 1,141,014
Total Expenditures	\$ 5,092,822	\$ 709,260	\$ 722,007	\$ 6,524,089
Excess (deficiency) of revenues over (under) expenditures	\$ -795,315	\$ -107,890	\$ -311,277	\$ -1,214,482

Tripoli Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):				
Sale of assets	\$ 406	\$ -	\$ -	\$ 406
Operating transfers in (out)	-	-301,107	301,107	-
Total Other Financing Sources	\$ 406	\$ -301,107	\$ 301,107	\$ 406
Net change in fund balances	\$ -794,909	\$ -408,997	\$ -10,170	\$ -1,214,076
Fund balances beginning of year	\$ 1,046,628	\$ 639,039	\$ 271,400	\$ 1,957,067
Prior period adjustment	738	-	-	738
Adjusted fund balances beginning of year	\$ 1,047,366	\$ 639,039	\$ 271,400	\$ 1,957,805
Fund balances end of year	\$ 252,457	\$ 230,042	\$ 261,230	\$ 743,729

See notes to financial statements.

Tripoli 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

Net change in fund balances – total governmental funds (page 20) \$ -1,214,076

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, these 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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 831,968	
Depreciation expense	-421,897	
Depreciation adjustment	<u>-1,094</u>	408,977

Income surtax revenue not received until several months after the District’s fiscal year end is not considered available revenue and is recognized as deferred inflows of resources the governmental funds. Is it, however, recorded as revenue in the Statement of Activities. 8,331

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments, are as follows:

Repaid 205,652

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 783

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

Early retirement	\$ 40,200	
Other postemployment benefits	<u>-42,123</u>	-1,923

Change in Net Position of Governmental Activities (page 16) \$ -592,256

Tripoli Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	Before & After School	School Nutrition	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 9,503	\$ 24,495	\$ 33,998
Accounts receivable	384	1,440	1,824
Inventories	-	21,491	21,491
Due from other funds	-	2,542	2,542
Total current assets	<u>\$ 9,887</u>	<u>\$ 49,968</u>	<u>\$ 59,855</u>
Non-Current Assets:			
Capital assets, net of accumulated depreciation	\$ -	\$ 24,388	\$ 24,388
Total non-current assets	<u>\$ -</u>	<u>\$ 24,388</u>	<u>\$ 24,388</u>
Total Assets	<u>\$ 9,887</u>	<u>\$ 74,356</u>	<u>\$ 84,243</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ -	\$ 277	\$ 277
Unearned revenue	-	4,480	4,480
Total current liabilities	<u>\$ -</u>	<u>\$ 4,757</u>	<u>\$ 4,757</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 4,757</u>	<u>\$ 4,757</u>
Net Position			
Net investment in capital assets	\$ -	\$ 24,388	\$ 24,388
Unrestricted	9,887	45,211	55,098
Total Net Position	<u>\$ 9,887</u>	<u>\$ 69,599</u>	<u>\$ 79,486</u>

Tripoli Community School District

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2014

	Before & After School	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 18,611	\$ 128,466	\$ 147,077
Operating expenses:			
Non-instructional programs:			
Food service and child care operations:			
Salaries and benefits	\$ 12,670	\$ 86,491	\$ 99,161
Purchased services	-	2,202	2,202
Supplies	8,055	122,689	130,744
Depreciation	-	4,941	4,941
Other	37	2,062	2,099
Total operating expenses	\$ 20,762	\$ 218,385	\$ 239,147
Operating income (loss)	\$ -2,151	\$ -89,919	\$ -92,070
Non-operating revenues:			
State sources	\$ -	\$ 2,076	\$ 2,076
Federal sources	-	96,730	96,730
Interest income	85	227	312
Total non-operating revenues	\$ 85	\$ 99,033	\$ 99,118
Change in net position	\$ -2,066	\$ 9,114	\$ 7,048
Net position beginning of year	11,953	60,485	72,438
Net Position End of Year	\$ 9,887	\$ 69,599	\$ 79,486

Tripoli Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,961
Cash paid to employees for services	-75,492
Cash paid to suppliers for goods or services	-128,707
Net cash used by operating activities	<u>\$ -77,238</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,076
Federal grants received	83,500
Net cash provided by non-capital financing activities	<u>\$ 85,576</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -1,469</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 227</u>
Net increase in cash and cash equivalents	\$ 7,096
Cash and cash equivalents beginning of year	<u>17,399</u>
Cash and Cash Equivalents End of Year	<u>\$ 24,495</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -89,919
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,230
Depreciation	4,941
(Increase) in inventories	-4,262
(Increase) in accounts receivable	-894
(Increase) in unearned revenue	1,931
Increase in accounts payable	277
(Increase) due from other funds	<u>-2,542</u>
Net Cash Used by Operating Activities	<u>\$ -77,238</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$13,230 of federal commodities.

See notes to financial statements.

Tripoli Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2014

	Before & After School
Cash flows from operating activities:	
Cash received from services	\$ 18,330
Cash paid to employees for services	-12,670
Cash paid to suppliers for goods or services	-8,091
Net cash used by operating activities	<u>\$ -2,431</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 85</u>
Net decrease in cash and cash equivalents	\$ -2,346
Cash and cash equivalents beginning of year	<u>11,849</u>
Cash and Cash Equivalents End of Year	<u>\$ 9,503</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income	\$ -2,151
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	<u>-280</u>
Net Cash Used by Operating Activities	<u>\$ -2,431</u>

Tripoli Community School District

Notes to the Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Tripoli Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. 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 Tripoli and Frederika, Iowa and portions of the predominately agricultural territories in Bremer and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Tripoli 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. Tripoli Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, 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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Before and After School Fund. These funds are used to account for the food service operations and child care 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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, have a maturity date no longer than three months.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which were paid in July, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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 amended budget in the support services function.

(2) **Cash and Pooled Investments**

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

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

(3) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects –Physical Plant and Equipment Levy	\$ 97,952
Debt Service	Capital Projects – Statewide Sales, Services and Use Tax	203,155
		<u>\$ 301,107</u>

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

(4) **Bank Anticipatory Warrants**

The District has entered into an agreement with American Savings Bank for the issuance of anticipatory warrants of \$300,000 with an interest rate of 3.25%. Activity for the year ended June 30, 2014 is as follows:

	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End Of Year
Total	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000

Cash Advanced under these warrants are held in a money management savings account. These funds are only used if the District's regular cash flow is in adequate to meet current needs.

(5) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Adjustments	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 33,500	\$ -	\$ -	\$ -	\$ 33,500
Construction in process	3,041,692	-	3,041,692	-	-
Total capital assets not being depreciated	<u>\$ 3,075,192</u>	<u>\$ -</u>	<u>\$ 3,041,692</u>	<u>\$ -</u>	<u>\$ 33,500</u>
Capital assets being depreciated:					
Buildings	\$ 8,814,572	\$ 3,583,592	\$ -	\$ -	\$ 12,398,164
Improvements other than buildings	621,780	26,433	-	-	648,213
Furniture and equipment	1,798,375	263,635	-	-	2,062,010
Total capital assets being depreciated	<u>\$ 11,234,727</u>	<u>\$ 3,873,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,108,387</u>
Less accumulated depreciation for:					
Buildings	\$ 3,762,480	\$ 220,366	\$ -	\$ 1	\$ 3,982,847
Improvements other than buildings	283,637	25,763	-	-1	309,399
Furniture and equipment	1,302,631	175,768	-	1,094	1,479,493
Total accumulated depreciation	<u>\$ 5,348,748</u>	<u>\$ 421,897</u>	<u>\$ -</u>	<u>\$ 1,094</u>	<u>\$ 5,771,739</u>
Total capital assets being depreciated, net	<u>\$ 5,885,979</u>	<u>\$ 3,451,763</u>	<u>\$ -</u>	<u>\$ -1,094</u>	<u>\$ 9,336,648</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,961,171</u>	<u>\$ 3,451,763</u>	<u>\$ 3,041,692</u>	<u>\$ -1,094</u>	<u>\$ 9,370,148</u>

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 72,241	\$ 1,469	\$ 14,420	\$ 59,290
Less accumulated depreciation	44,381	4,941	14,420	34,902
Business Type Activities Capital Assets, Net	<u>\$ 27,860</u>	<u>\$ -3,472</u>	<u>\$ -</u>	<u>\$ 24,388</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 339,032
Other	20,132

Support services:

Instructional support	3,796
Administration	1,968
Operation and maintenance of plant	14,452
Transportation	40,044
Non-Instruction	2,473

Total Depreciation Expense – Governmental Activities \$ 421,897

Business Type Activities:

Food service operations	<u>\$ 4,941</u>
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(6) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 3,100,000	\$ -	\$ -	\$ 3,100,000	\$ -
Notes payable	687,699	-	205,652	482,047	210,185
Early retirement	134,650	-	40,200	94,450	35,800
Total	\$ 3,922,349	\$ -	\$ 245,852	\$ 3,676,497	\$ 245,985

Early Retirement

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

- 1) The School District shall provide up to five hundred fifty dollars (\$550.00) per month for payment of health insurance premiums of the retired teacher for ninety (90) months. However, the monthly payment shall not exceed, in any event, the actual cost of the monthly health insurance premiums of the retired teacher, and shall end at 90 months or with medicare eligibility whichever comes first.

Early retirement benefits paid during the year ended June 30, 2014 totaled \$40,200. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-term Liabilities section representing the District's commitment to fund non-current early retirement.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of June 27, 2012			
	Interest Rate	Principal	Interest	Total
2015	2.00%	\$ -	\$ 67,385	\$ 67,385
2016	2.00%	125,000	67,385	192,385
2017	2.00%	200,000	64,885	264,885
2018	2.00%	200,000	60,885	260,885
2019	2.00%	205,000	56,885	261,885
2020	2.00%	210,000	52,785	262,785
2021	2.00%	215,000	48,585	263,585
2022	2.00%	220,000	44,285	264,285
2023	2.00%	225,000	39,885	264,885
2024	2.10%	230,000	35,385	265,385
2025	2.20%	240,000	30,555	270,555
2026	2.30%	245,000	25,275	270,275
2027	2.40%	255,000	19,640	274,640
2028	2.50%	260,000	13,520	273,520
2029	2.60%	270,000	7,020	277,020
		\$ 3,100,000	\$ 634,360	\$ 3,734,360

Note Payable – Science Room Addition

On June 19, 2007, the District signed a note payable to American Savings Bank of Tripoli IA for the construction of a science room addition. The note was written for \$900,000. The interest rate on the note is 4.5%. Semi-annual payments will be \$67,634.88 to be paid on December 1 and June 1 of each year, with the note maturing December 1, 2015.

Details of the District’s June 30, 2014 note payable – science room addition are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 126,521	\$ 4,216	\$ 130,737
Total	\$ 126,521	\$ 4,216	\$ 130,737

Note Payable – Preschool

On May 1 2008, the District signed a note payable to American Savings Bank of Tripoli IA for the construction of a preschool room addition. The note was written for \$800,000. The interest rate on the note is 4.5%. Semi-annual payments will be \$50,460.25 to be paid on December 1 and June 1 of each year, with the note maturing June 1, 2018.

Details of the Districts June 30, 2014 note payable – preschool are as follows:

<u>Year ending June 30,</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 83,664	\$ 14,288	\$ 97,952
2016	87,231	10,721	97,952
2017	91,005	6,948	97,953
2018	93,626	4,249	97,875
Total	\$ 355,526	36,206	\$ 391,732

During the year ended June 30, 2014, the District made principal and interest payments totaling \$301,107 under the agreements.

(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 payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$268,926, \$251,228 and \$223,256, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 34 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligations:

Annual required contribution	\$	79,846	
Interest on net OPEB obligation		-1,484	
Adjustment to annual required contribution		17,999	
Annual OPEB cost	\$	96,361	
Contributions made		-54,238	
Increase in net OPEB obligation	\$	42,123	
Net OPEB obligation beginning of year		-59,347	*
Net OPEB obligation end of year	\$	-17,224	*
*Prepaid OPEB liability			

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$321,273 to the medical plan. Plan members eligible for benefits contributed \$19,623, or 5.8% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$27,919	201.7%	-\$28,406
June 30, 2011	\$27,333	217.4%	-\$62,304
June 30, 2012	\$25,591	395.8%	-\$101,280
June 30, 2013	\$84,762	70.6%	-\$59,347
June 30, 2014	\$79,846	74.3%	-\$17,224

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 \$314,211, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$314,211. The covered payroll (annual payroll of active employees covered by the plan) was \$2,921,707 and the ratio of the UAAL to covered payroll was 10.8%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$428.32 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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 \$188,297 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

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

Program	Amount
Gifted and Talented Programs	\$ 58,412
Mentoring	207
Core Curriculum	11,575
Professional Development	597
Teacher Quality	21,945
Preschool	46,323
Early Literacy	11,418
Teacher Leadership	3,942
Total	\$ 154,419

(12) Subsequent Events

The District has evaluated subsequent events through March 3, 2015 which is the date that the financial statement were available to be issued.

(13) 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

Tripoli Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Local sources	\$ 2,672,530	\$ 147,389
Intermediate sources	-	-
State sources	2,487,817	2,076
Federal sources	149,260	96,730
Total Receipts	<u>\$ 5,309,607</u>	<u>\$ 246,195</u>
Disbursements:		
Instruction	\$ 3,880,230	\$ -
Support services	1,502,845	-
Non-instructional programs	-	239,147
Other expenditures	1,141,014	-
Total Disbursements	<u>\$ 6,524,089</u>	<u>\$ 239,147</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -1,214,482	\$ 7,048
Other financing sources (uses), net	<u>406</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	<u>\$ -1,214,076</u>	<u>\$ 7,048</u>
Balances beginning of year	\$ 1,957,067	\$ 72,438
Prior period adjustment	738	-
Adjusted balances beginning of year	<u>\$ 1,957,805</u>	<u>\$ 72,438</u>
Balances End of Year	<u>\$ 743,729</u>	<u>\$ 79,486</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final to Actual Variance
		Original	Final	
\$	2,819,919	\$ 2,815,924	\$ 2,815,924	\$ 3,995
	-	-	-	-
	2,489,893	2,525,183	2,525,183	-35,290
	245,990	262,000	262,000	-16,010
\$	5,555,802	\$ 5,603,107	\$ 5,603,107	\$ -47,305
\$	3,880,230	\$ 4,044,000	\$ 4,044,000	\$ 163,770
	1,502,845	1,255,700	1,495,700	-7,145
	239,147	240,000	270,000	30,853
	1,141,014	1,488,573	1,488,573	347,559
\$	6,763,236	\$ 7,028,273	\$ 7,298,273	\$ 535,037
\$	-1,207,434	\$ -1,425,166	\$ -1,695,166	\$ 487,732
	406	-800	-800	1,206
\$	-1,207,028	\$ -1,425,966	\$ -1,695,966	\$ 488,938
\$	2,029,505	\$ 2,190,086	\$ 2,190,086	\$ -160,581
	738	-	-	738
\$	2,030,243	\$ 2,190,086	\$ 2,190,086	\$ -159,843
\$	823,215	\$ 764,120	\$ 494,120	\$ 329,095

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$270,000.

During the year ended June 30, 2014, expenditures in the support services function exceeded the amended budget.

Tripoli Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

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	\$-	\$355	\$355	0.0%	\$1,465	24.2%
2011	July 1, 2009	\$-	\$290	\$290	0.0%	\$1,442	20.2%
2012	July 1, 2009	\$-	\$290	\$290	0.0%	\$1,333	21.8%
2013	July 1, 2012	\$-	\$363	\$363	0.0%	\$1,807	20.1%
2014	July 1, 2012	\$-	\$314	\$314	0.0%	\$2,922	10.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Tripoli Community School District

Combining Balance Sheet
Non-Major Governmental Funds

June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 137,920	\$ 119,370	\$ 257,290
Receivables:			
Property Tax:			
Delinquent	1,616	-	1,616
Succeeding year	99,999	-	99,999
Prepaid expenses	3,350	-	3,350
Due from other funds	-	608	608
Total Assets	\$ 242,885	\$ 119,978	\$ 362,863
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 1,634	\$ 1,634
Total liabilities	\$ -	\$ 1,634	\$ 1,634
Deferred inflows of resources:			
Succeeding year property tax	\$ 99,999	\$ -	\$ 99,999
Total deferred inflows of resources	\$ 99,999	\$ -	\$ 99,999
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 142,886	\$ -	\$ 142,886
Student activities	-	118,344	118,344
Total fund balances	\$ 142,886	\$ 118,344	\$ 261,230
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,885	\$ 119,978	\$ 362,863

Tripoli Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenues:				
Local Sources:				
Local tax	\$ 175,055	\$ -	\$ -	\$ 175,055
Other	3,797	231,772	-	235,569
State	106	-	-	106
Total Revenues	\$ 178,958	\$ 231,772	\$ -	\$ 410,730
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 41,077	\$ -	\$ -	\$ 41,077
Other instruction	-	233,947	-	233,947
Support Services:				
Administration services	44,648	-	-	44,648
Operation and maintenance of plant services	89,088	-	-	89,088
Transportation services	12,140	-	-	12,140
Other Expenditures:				
Long-term debt:				
Principal	-	-	205,652	205,652
Interest and fiscal charges	-	-	95,455	95,455
Total Expenditures	\$ 186,953	\$ 233,947	\$ 301,107	\$ 722,007
Excess (deficiency) of revenues over (under) expenditures	\$ -7,995	\$ -2,175	\$ -301,107	\$ -311,277
Other financing sources (uses):				
Operating transfer in	-	-	301,107	301,107
Excess (deficiency) of revenue and other financing sources over (under) expenditures	\$ -7,995	\$ -2,175	\$ -	\$ -10,170
Fund balances beginning of year	150,881	120,519	-	271,400
Fund Balances End of Year	\$ 142,886	\$ 118,344	\$ -	\$ 261,230

See accompanying independent auditor's report.

Tripoli Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects			Total
	Other Capital Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets				
Cash, cash equivalents and pooled investments	\$ 294	\$ 37,418	\$ 41,859	\$ 79,571
Receivables:				
Property Tax:				
Delinquent	-	-	1,894	1,894
Succeeding year	-	-	216,562	216,562
Due from other governments	-	148,577	-	148,577
Total Assets	\$ 294	\$ 185,995	\$ 260,315	\$ 446,604
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	\$ -	\$ -	\$ 216,562	\$ 216,562
Total deferred inflows of resources	\$ -	\$ -	\$ 216,562	\$ 216,562
Fund Balances:				
Restricted for:				
School infrastructure	\$ 294	\$ 185,995	\$ -	\$ 186,289
Physical plant and equipment	-	-	43,753	43,753
Total fund balances	\$ 294	\$ 185,995	\$ 43,753	\$ 230,042
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 294	\$ 185,995	\$ 260,315	\$ 446,604

Tripoli Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2014

	Capital Projects			Total
	Other Capital Projects	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local Sources:				
Local tax	\$ -	\$ 390,778	\$ 205,688	\$ 596,466
Other	2,067	2,207	505	4,779
State sources	-	-	125	125
Total Revenues	<u>\$ 2,067</u>	<u>\$ 392,985</u>	<u>\$ 206,318</u>	<u>\$ 601,370</u>
Expenditures:				
Support Services:				
Transportation service	\$ -	\$ -	\$ 57,650	\$ 57,650
Other Expenditures:				
Facilities acquisition	85,834	456,765	109,011	651,610
Total Expenditures	<u>\$ 85,834</u>	<u>\$ 456,765</u>	<u>\$ 166,661</u>	<u>\$ 709,260</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -83,767	\$ -63,780	\$ 39,657	\$ -107,890
Other Financing Sources (Uses):				
Operating transfers in (out)	-	-203,155	-97,952	-301,107
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -83,767	\$ -266,935	\$ -58,295	\$ -408,997
Fund balances beginning of year	84,061	452,930	102,048	639,039
Fund Balances End of Year	<u>\$ 294</u>	<u>\$ 185,995</u>	<u>\$ 43,753</u>	<u>\$ 230,042</u>

See accompanying independent auditor's report.

Tripoli Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Interest	\$ 4,487	\$ 1,342	\$ 1,821	\$ -333	\$ 3,675
Vocal	3,062	3,229	1,629	-	4,662
Instrumental	920	728	595	-	1,053
Band Trip	3,120	3,735	2,360	-	4,495
Yearbook	6,663	5,283	9,145	-	2,801
Picture	2,193	-	-	-	2,193
High School Student Council	1,118	494	1,050	-	562
Home Ec	556	-	-	-	556
National Honor Society	2,689	698	825	-	2,562
Faculty	-	24	-	-	24
SADD	227	602	611	-	218
Milk Machine	1,756	7,407	7,370	-	1,793
Magazine Sales	134	653	291	-	496
AEA Social Studies Grant	216	-	-	-	216
Silver Cord Scholarship	-	2,763	-	-	2,763
Art Trip	515	5,850	6,359	-	6
Pencil Resale	105	-	-	-	105
Manufacturing	861	432	1,091	-	202
Fine Arts	1,164	5,188	5,238	-	1,114
Class of 2020	-	3,105	1,448	-	1,657
Class of 2019	1,393	2,318	1,448	-	2,263
Class of 2013	630	-	-	-630	-
Class of 2014	376	296	1,055	630	247
Class of 2015	3,455	173	2,784	-	844
Class of 2016	3,674	370	-	-	4,044
Class of 2017	3,076	-	-	-	3,076
Class of 2018	3,936	1,740	1,448	-	4,228
Football Fundraiser	1,527	3,226	3,006	-	1,747
DECA	1,769	8,555	7,982	-	2,342
FFA	5,722	8,984	7,295	-	7,411
Senior Class Play	1,645	988	724	-	1,909
Science	-	-	26	26	-
SES	157	800	800	-	157
SCIN	680	-	-	-	680
SCIN Treat	824	-	10	-	814
Athletics	24,180	105,774	104,749	-	25,205
Cheerleading	1,441	697	1,959	-	179
Golf Fundraiser	398	192	192	-	398
Boys Basketball	138	196	150	-	184
Baseball	310	380	747	57	-
Boy's Track Fundraising	992	386	728	-	650
Girl's Track Fundraising	989	560	566	-	983
Bowling Fund	641	-	-	-	641

See accompanying independent auditor's report.

Tripoli Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Cross Country	\$ 168	\$ 843	\$ 874	\$ -	\$ 137
Students in Need	-	215	-	-	215
Dance Fund	451	1,008	1,209	-	250
Weight Lifting Fund	750	-	-	-	750
History Club	3,651	-	84	-	3,567
Girls Basketball	939	-	136	-	803
Volleyball Fundraiser	2,144	3,824	4,762	-	1,206
Softball Fund	482	-	25	-	457
Athletic Scholarship	-	-	250	250	-
Middle School Student Council	502	244	-	-	746
Elementary Library	1,796	4,157	4,314	-	1,639
Elementary Outdoor Ed - EWALU	1,135	4,870	5,570	-	435
Elementary Concessions	3,569	84	624	-	3,029
Elementary Music	42	-	-	-	42
Elementary Carnival	17,111	39,359	40,597	-	15,873
Memorial	40	-	-	-	40
Total	\$ 120,519	\$ 231,772	\$ 233,947	\$ -	\$ 118,344

See accompanying independent auditor's report.

Tripoli Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local tax	\$ 2,207,964	\$ 2,105,674	\$ 2,072,432	\$ 2,084,658
Tuition	143,803	311,284	267,107	218,297
Other	320,763	269,412	308,794	285,754
Intermediate sources	-	-	-	-
State sources	2,487,817	2,712,998	2,730,179	2,484,605
Federal sources	149,260	255,810	181,607	227,506
Total	\$ 5,309,607	\$ 5,655,178	\$ 5,560,119	\$ 5,300,820
Expenditures:				
Instruction:				
Regular instruction	\$ 2,690,785	\$ 2,433,438	\$ 2,446,707	\$ 2,311,269
Special instruction	526,893	585,838	562,685	550,782
Other instruction	662,552	686,243	616,141	601,865
Support services:				
Student services	104,842	71,638	68,562	66,916
Instructional staff services	162,672	151,665	137,159	135,289
Administrative services	510,302	510,833	508,288	450,782
Operation and maintenance of plant services	518,268	378,735	391,496	374,271
Transportation services	206,761	246,407	146,352	203,434
Other expenditures:				
Facilities acquisition	651,610	2,915,238	339,802	349,552
Long-term debt:				
Principal	205,652	197,056	187,463	180,598
Interest and other charges	95,455	99,184	71,746	52,624
AEA flow-through	188,297	183,964	189,938	208,741
Total	\$ 6,524,089	\$ 8,460,239	\$ 5,666,339	\$ 5,486,123

See accompanying independent auditor's report.

		Modified Accrual Basis									
		2010	2009	2008	2007	2006	2005				
\$	1,961,788	\$	1,974,480	\$	1,938,473	\$	1,949,606	\$	1,577,384	\$	1,602,580
	242,294		195,466		152,698		164,384		185,620		121,599
	235,246		292,324		292,571		273,635		532,586		466,523
	2,000		2,000		-		-		245		11,608
	2,235,621		2,655,845		2,516,731		2,325,181		2,120,365		2,044,677
	431,613		201,318		126,889		93,228		123,928		121,523
\$	5,108,562	\$	5,321,433	\$	5,027,362	\$	4,806,034	\$	4,540,128	\$	4,368,510
\$	2,195,417	\$	2,232,091	\$	2,046,139	\$	2,036,312	\$	1,993,682	\$	1,902,372
	571,710		561,083		532,152		589,127		460,717		565,249
	587,027		540,394		517,023		486,843		419,971		300,596
	64,313		38,269		37,983		36,403		37,432		42,476
	130,505		122,315		109,986		112,575		119,616		127,605
	432,306		428,332		422,542		359,272		363,724		338,143
	356,283		353,002		372,659		299,725		316,272		300,241
	136,599		116,008		116,002		176,346		180,524		157,858
	184,952		538,772		1,232,360		472,566		320,092		114,883
	172,831		256,747		172,780		72,985		68,886		65,300
	60,391		63,724		44,900		9,425		13,524		17,110
	208,112		180,073		167,796		156,470		142,761		139,660
\$	5,100,446	\$	5,430,810	\$	5,772,322	\$	4,808,049	\$	4,437,201	\$	4,071,493

**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**

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
Tripoli Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tripoli 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 my report thereon dated March 3, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-E-14 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tripoli Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance 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, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

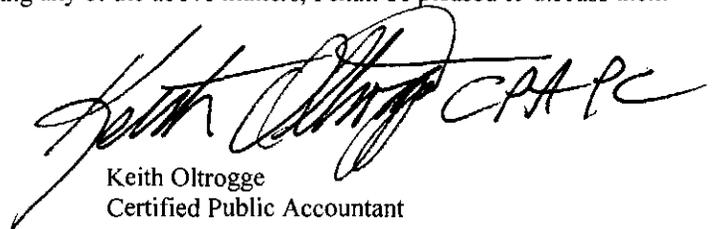
Tripoli Community School District's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Tripoli Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 3, 2015

Tripoli 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 reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-14 Supporting Documentation – I noted four instance of checks being written to a vendor without an invoice or supporting documentation. This was in the student activity fund accounts.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-C-14 Disbursement Approval – For 14 of 33 general fund, 4 of 19 student activity fund, 2 of 3 physical plant & equipment levy, 6 of 6 statewide sales, services and use taxes and 6 of 6 nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintained documentation of the approval.

Conclusion – Response acknowledged.

I-D-14 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response and Corrective Action Plan – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

I-E-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

Tripoli 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 – Expenditures for the year ended June 30, 2014 exceed the amended certified budget in the support services function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
General Fund:		
Guppy’s	Food – Board meeting/in-service	\$435.20
First Bankcard	ISC meals	\$31.92
Activity Fund:		
Wal-Mart	I-tunes gift cards/three invoices	\$163.90
Maple Hill’s Country Club	Hospitality for coaches ISC boys	\$94.57
Employee	AD meals	\$23.24
Wal-Mart	SADD – food and Christmas supplies	\$594.54
Guppy’s	Donuts, vending supplies	\$178.33
First Bankcard	Subs for elementary	\$69.00
First Bankcard	Target gift cards	\$200.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases 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. Also, some of the gift cards are for establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, I do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, we will not make any purchases for items that are not appropriate.

Conclusion – Response acknowledged.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES:

I-F-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusion – Response accepted.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

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.

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

<u>Name, Title & Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tripoli Plumbing and Heating, Owner – Spouse of Employee	Services	\$709

In accordance with an Attorney General’s opinion date November 9, 1976, the above transactions do not appear to represent conflicts 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 the coverage is adequate for current operations.

II-F-14 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments – 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 were noted.

II-J-14 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	452,930
Revenues/transfers in:			
Sales tax revenues	\$	286,281	
Other local revenues		2,207	
School infrastructure supplemental amount		104,497	392,985
			<hr/>
		\$	845,915
Expenditures/transfers out:			
School infrastructure construction	\$	456,765	
Transfers to other funds:			
Debt service fund		203,155	659,920
			<hr/>
Ending balance		\$	<u>185,995</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.5628	\$ 390,778
Physical plant and equipment levy	0.7553	165,250
Public educational and recreational levy	-	-

II-M-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go online at any time and see/print the back side of any check.

Conclusion – Response accepted.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting (continued):

II-N-14 Enterprise Fund, School Nutrition – I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.

II-O-14 Sales Tax – Sales tax was paid by the District on one disbursement tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.

Response – We will review all invoices for sales tax before payments are made.

Conclusion – Response acknowledged.