

TRI-CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015

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# Tri-Center Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Rob Larsen	President	2017
Jeff Anderson	Vice President	2017
Valerie Wham	Board Member	2015
Mike Pettit	Board Member	2015
Joe Turner	Board Member	2017
<b>School Officials</b>		
Dr. Tony Weers	Superintendent	2015
Rhonda McKenzie	Business Manager/ Board Secretary	2015
Scott Rogers, Peters Law Firm	Attorney	2015
Brett Nitzschke, Lynch Dallas, P.C.	Attorney	2015
Elizabeth Grob, Ahlers & Cooney, P.C.	Attorney	2015

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District, Neola, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District as of June 30, 2015, and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, Tri-Center Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-Center Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is present for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2015 on our consideration so Tri-Center Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit per formed accordance with Government Auditing Standards in considering Tri-Center Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2015  
Newton, Iowa

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

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Tri-Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,660,413 in fiscal year 2014 to \$7,769,836 in fiscal year 2015, while General Fund expenditures decreased from \$7,703,495 in fiscal year 2014 to \$7,476,877 in fiscal year 2015. The District's General Fund balance increased from \$214,278 at June 30, 2014 to \$507,237 at June 30, 2015, a 136.72% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source revenues received by the District during fiscal year 2015. The decrease in expenditures was due to decreases in instructional staff and operational and maintenance of plant expenditures compared to the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**Tri-Center Community School District Annual Financial Report**

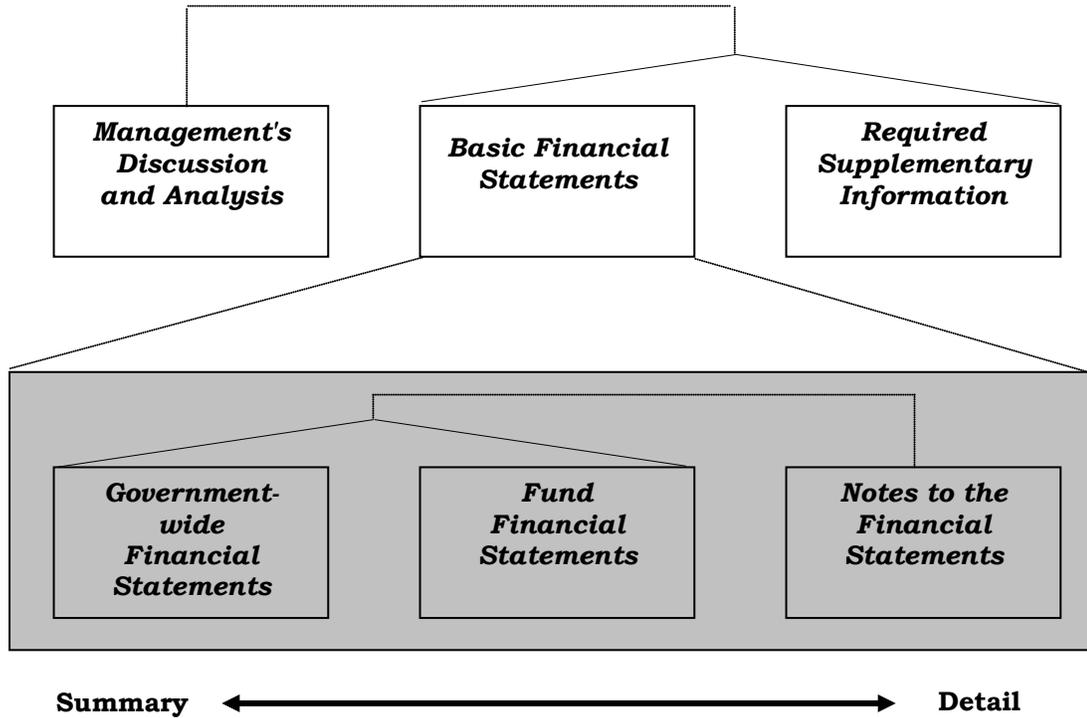


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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## 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 they have 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 that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	June 30, 2015	June 30, 2014 (Not restated)	2014-15
Current and other assets	\$ 6,378,632	5,805,979	60,150	63,994	6,438,782	5,869,973	9.69%
Capital assets	9,523,576	9,882,124	71,186	84,503	9,594,762	9,966,627	-3.73%
Total assets	15,902,208	15,688,103	131,336	148,497	16,033,544	15,836,600	1.24%
Deferred outflows of resources	564,642	-	20,859	-	585,501	-	100.00%
Long-term liabilities	8,229,455	5,892,017	109,794	8,750	8,339,249	5,900,767	41.32%
Other liabilities	957,270	1,120,882	33,066	32,441	990,336	1,153,323	-14.13%
Total liabilities	9,186,725	7,012,899	142,860	41,191	9,329,585	7,054,090	32.26%
Deferred inflows of resources	4,457,513	3,239,831	40,227	-	4,497,740	3,239,831	38.83%
Net position:							
Net investment in capital assets	4,278,576	4,167,124	71,186	84,503	4,349,762	4,251,627	2.31%
Restricted	1,277,405	1,051,921	-	-	1,277,405	1,051,921	21.44%
Unrestricted	(2,733,369)	216,328	(102,078)	22,803	(2,835,447)	239,131	-1285.73%
Total net position	\$ 2,822,612	5,435,373	(30,892)	107,306	2,791,720	5,542,679	-49.63%

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The District's total net position decreased by 49.63%, or \$2,750,959, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$225,484, or 21.44% from the prior year. The increase was due primarily to an increase in fund balance for the General Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$3,074,578 or 1,285.73%. The reduction in unrestricted net position was primarily a result of the District's net pension liability expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position of July 1, 2014 for governmental activities and business type activities were restated by \$3,432,868 and \$127,091, respectively, to retroactively report net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amount for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 858,701	858,076	213,637	224,598	1,072,338	1,082,674	-0.95%
Operating grants, contributions and restricted interest	643,639	649,153	122,303	136,980	765,942	786,133	-2.57%
Capital grants, contributions and restricted interest	20,650	17,916	-	-	20,650	17,916	15.26%
General revenues:							
Property tax	3,243,944	3,056,189	-	-	3,243,944	3,056,189	6.14%
Income surtax	331,399	321,680	-	-	331,399	321,680	3.02%
Statewide sales, services and use tax	646,480	591,260	-	-	646,480	591,260	9.34%
Unrestricted state grants	3,424,372	3,421,419	-	-	3,424,372	3,421,419	0.09%
Unrestricted investment earnings	5,879	6,404	40	40	5,919	6,444	-8.15%
Other	141,239	95,927	-	-	141,239	95,927	47.24%
Total revenues	9,316,303	9,018,024	335,980	361,618	9,652,283	9,379,642	2.91%
Program expenses:							
Instructional	4,972,928	5,184,018	-	-	4,972,928	5,184,018	-4.07%
Support services	2,665,184	2,907,436	-	-	2,665,184	2,907,436	-8.33%
Non-instructional programs	-	8,370	347,087	365,654	347,087	374,024	-7.20%
Other expenses	858,084	828,567	-	-	858,084	828,567	3.56%
Total expenses	8,496,196	8,928,391	347,087	365,654	8,843,283	9,294,045	-4.85%
Excess(deficiency) of revenues over(under) expenditures	820,107	89,633	(11,107)	(4,036)	809,000	85,597	-845.13%
Transfers		(1,593)		1,593	-	-	0.00%
Change in net position	820,107	88,040	(11,107)	(2,443)	809,000	85,597	-845.13%
Net position beginning of year, as restated	2,002,505	5,347,333	(19,785)	109,749	1,982,720	5,457,082	-63.67%
Net position end of year	\$ 2,822,612	5,435,373	(30,892)	107,306	2,791,720	5,542,679	-49.63%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 82.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$9.65 million of which approximately \$9.32 million was for governmental activities and approximately \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.91% increase in revenues and a 4.85% decrease in expenses. Property tax increased \$187,752 and Statewide sales, service and use tax increased \$55,220 to contribute toward the increase in revenues. The decrease in expenditures is related to decreases in support service expenditures.

### Governmental Activities

Revenues for governmental activities were \$9,316,303 and expenses were \$8,496,196 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 4,972,928	5,184,018	-4.07%	3,754,024	3,952,617	-5.02%
Support services	2,665,184	2,907,436	-8.33%	2,639,643	2,881,662	-8.40%
Non-instructional programs	-	8,370	-100.00%	-	8,370	-100.00%
Other expenses	858,084	828,567	3.56%	579,539	560,597	3.38%
Totals	\$ 8,496,196	8,928,391	-4.84%	6,973,206	7,403,246	-5.81%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$858,701.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$644,650.
- The net cost of governmental activities was financed with \$3,243,944 in property tax, \$331,399 in income surtax, \$646,480 in statewide sales, services and use tax, \$3,424,372 in unrestricted state grants, \$5,879 in interest income, and \$141,239 in other general revenues.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$335,980 representing a 7.09% decrease from the prior year, while expenses were \$347,087, a 5.08% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,750,263, above last year's ending fund balances of \$1,170,492. The primary reason for the increase in combined fund balance can be attributed to the increase in fund balance for the General Fund.

### Governmental Fund Highlights

- The General Fund balance increased from \$214,278 at June 30, 2014 to \$506,237 at June 30, 2015. Increases in property tax and state funding led to an increase in General Fund revenues. A decrease in expenditures can be attributed to a decrease in instructional staff expenditures. Overall, the District's General Fund balance increased by \$292,959 in fiscal 2015.
- The Debt Service Fund balance increased from \$566,688 at June 30, 2014 to \$566,918 at June 30, 2015. The increase in fund balance is the result of an increase in property tax revenue received compared to the prior year.

## Proprietary Fund Highlights

School Nutrition Fund restated net position decreased from a deficit of \$19,785 at July 1, 2014 to a deficit of \$30,892 at June 30, 2015 representing a decrease of 56.14%. The primary reason for the decrease in net position in the School Nutrition Fund is due to a reduction charges for service revenue received as compared to the prior year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$359,664 less than budgeted revenues, a variance of 3.60%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget disbursements at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas. The District also exceeded its General Fund unspent authorized budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$9,594,762, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents an decrease of 3.73% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$462,802.

The original cost of the District's capital assets was approximately \$16.02 million. Governmental funds account for approximately \$15.85 million, with the remainder of approximately \$0.17 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$552,989 at June 30, 2014, compared to \$0 reported at June 30, 2015. This decrease resulted from completion of a sewer and lagoon project. This project was capitalized as part of the district's capital asset listing

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 12,669	12,669	-	-	12,669	12,669	0.00%
Construction in progress	-	552,989	-	-	-	552,989	-100.00%
Buildings	7,732,294	7,934,021	-	-	7,732,294	7,934,021	-2.61%
Land improvements	1,437,156	959,410	-	-	1,437,156	959,410	33.24%
Machinery and equipment	341,457	423,035	71,186	84,503	412,643	507,538	-23.00%
Total	\$ 9,523,576	9,882,124	71,186	84,503	9,594,762	9,966,627	-3.73%

## Long-Term Debt

At June 30, 2015, the District had \$5,561,097 in total long-term debt outstanding. This represents an decrease of 5.76% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had outstanding revenue bonds of \$5,245,000 at June 30, 2015.

The District had outstanding termination benefits liability of \$103,810 at June 30, 2015.

The District had net pension liability of \$2,778,151 at June 30, 2015. Governmental activities accounted for \$2,678,971 and business type activities account for \$99,180.

The District had a net OPEB liability of \$212,287 at June 30, 2015. Governmental activities accounted for \$201,673 and business type activities account for \$10,614.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ -	210,000	-	-	-	210,000	-100.00%
Revenue bonds	5,245,000	5,505,000	-	-	5,245,000	5,505,000	-4.96%
Net OPEB liability	201,673	166,252	10,614	8,750	212,287	175,002	17.56%
Net Pension Liability	2,678,971	-	99,180	-	2,778,151	-	100.00%
Termination benefits	103,811	10,765	-	-	103,811	10,765	89.63%
Total	\$ 8,229,455	5,892,017	109,794	8,750	8,339,249	5,900,767	41.32%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Unstable modified allowable growth over several years and a 10-year trend of declining enrollment continue to be a concern for the District.
- District transportation costs are experiencing an increase due to fuel costs, maintaining buses and the Districts 200 square mile daily routes. These costs are currently not offset with state funding.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda McKenzie, Business Manager/Board Secretary, Tri-Center Community School District, 33980 310<sup>th</sup> Street, Neola, Iowa, 51559.

## **BASIC FINANCIAL STATEMENTS**

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,402,074	27,608	2,429,682
Receivables:			
Property tax:			
Delinquent	30,251	-	30,251
Succeeding year	3,370,922	-	3,370,922
Income surtax	300,177	-	300,177
Accounts	6,417	43	6,460
Due from other governments	268,791	-	268,791
Inventories	-	32,499	32,499
Capital assets, net of accumulated depreciation	9,523,576	71,186	9,594,762
<b>TOTAL ASSETS</b>	<b>15,902,208</b>	<b>131,336</b>	<b>16,033,544</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	564,642	20,859	585,501
<b>LIABILITIES</b>			
Accounts payable	197,763	-	197,763
Salaries and benefits payable	759,507	26,557	786,064
Unearned revenue	-	6,509	6,509
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	270,000	-	270,000
Termination benefits payable	51,905	-	51,905
Portion due after one year:			
Revenue bonds payable	4,975,000	-	4,975,000
Termination benefits payable	51,906	-	51,906
Net pension liability	2,678,971	99,180	2,778,151
Net OPEB liability	201,673	10,614	212,287
<b>TOTAL LIABILITIES</b>	<b>9,186,725</b>	<b>142,860</b>	<b>9,329,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,370,922	-	3,370,922
Pension related deferred inflows	1,086,591	40,227	1,126,818
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,457,513</b>	<b>40,227</b>	<b>4,497,740</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,278,576	71,186	4,349,762
Restricted for:			
Categorical funding	138,190	-	138,190
Management levy purposes	182,660	-	182,660
Student activities	66,682	-	66,682
School infrastructure	200,756	-	200,756
Physical plant and equipment	122,199	-	122,199
Debt service	566,918	-	566,918
Unrestricted	(2,733,369)	(102,078)	(2,835,447)
<b>TOTAL NET POSITION</b>	<b>\$ 2,822,612</b>	<b>(30,892)</b>	<b>2,791,720</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,435,897	599,193	89,782	-	(2,746,922)	-	(2,746,922)
Special	682,769	185,079	57,459	-	(440,231)	-	(440,231)
Other	854,262	74,429	212,962	-	(566,871)	-	(566,871)
	4,972,928	858,701	360,203	-	(3,754,024)	-	(3,754,024)
Support services:							
Student	268,150	-	-	-	(268,150)	-	(268,150)
Instructional staff	221,452	-	3,510	-	(217,942)	-	(217,942)
Administration	829,342	-	-	-	(829,342)	-	(829,342)
Operation and maintenance of plant	804,040	-	-	20,650	(783,390)	-	(783,390)
Transportation	542,200	-	1,381	-	(540,819)	-	(540,819)
	2,665,184	-	4,891	20,650	(2,639,643)	-	(2,639,643)
Long-term debt interest	230,962	-	-	-	(230,962)	-	(230,962)
Other expenses:							
AEA flowthrough	278,545	-	278,545	-	-	-	-
Depreciation(unallocated)*	348,577	-	-	-	(348,577)	-	(348,577)
	627,122	-	278,545	-	(348,577)	-	(348,577)
Total governmental activities	8,496,196	858,701	643,639	20,650	(6,973,206)	-	(6,973,206)
Business type activities:							
Non-instructional programs:							
Food service operations	347,087	213,637	122,303	-	-	(11,147)	(11,147)
Total	\$ 8,843,283	1,072,338	765,942	20,650	(6,973,206)	(11,147)	(6,984,353)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 2,799,563	-		2,799,563
Capital outlay				227,648	-		227,648
Debt service				216,733	-		216,733
Income surtax				331,399	-		331,399
Statewide sales, services and use tax				646,480	-		646,480
Unrestricted state grants				3,424,372	-		3,424,372
Unrestricted investment earnings				5,879	40		5,919
Other				141,239	-		141,239
Total general revenues				7,793,313	40		7,793,353
Change in net position				820,107	(11,107)		809,000
Net position beginning of year, as restated				2,002,505	(19,785)		1,982,720
Net position end of year				\$ 2,822,612	(30,892)		2,791,720

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

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Debt Service	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,155,173	675,397	571,504	2,402,074
Receivables:				
Property tax:				
Delinquent	24,237	2,022	3,992	30,251
Succeeding year	2,935,950		434,972	3,370,922
Income surtax	300,177	-	-	300,177
Accounts	6,417	-	-	6,417
Due from other governments	168,179	-	100,612	268,791
<b>TOTAL ASSETS</b>	<b>\$ 4,590,133</b>	<b>677,419</b>	<b>1,111,080</b>	<b>6,378,632</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 87,262	110,501	-	197,763
Salaries and benefits payable	759,507	-	-	759,507
Total liabilities	846,769	110,501	-	957,270
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,935,950	-	434,972	3,370,922
Income surtax	300,177	-	-	300,177
Total deferred inflows of resources	3,236,127	-	434,972	3,671,099
Fund balances:				
Restricted for:				
Categorical funding	138,190	-	-	138,190
Management levy purposes	-	-	286,471	286,471
Student activities	-	-	66,682	66,682
School infrastructure	-	-	200,756	200,756
Physical plant and equipment	-	-	122,199	122,199
Debt service	-	566,918	-	566,918
Unassigned	369,047	-	-	369,047
Total fund balances	507,237	566,918	676,108	1,750,263
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,590,133</b>	<b>677,419</b>	<b>1,111,080</b>	<b>6,378,632</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds</b> (page 20)	\$	1,750,263
 <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.		9,523,576
Other long-term assets are not available to finance current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		300,177
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 564,642	
Deferred inflows of resources	<u>(1,086,591)</u>	(521,949)
Long-term liabilities, including revenue bonds payable, other post employment benefits payable, termination benefits payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(8,229,455)</u>
<b>Net position of governmental activities</b> (page 18)	<b>\$</b>	<b><u><u>2,822,612</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Debt Service	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,905,798	216,733	427,908	3,550,439
Tuition	759,897	-	-	759,897
Other	144,645	4,625	225,817	375,087
State sources	3,828,548	-	646,480	4,475,028
Federal sources	130,948	-	-	130,948
Total revenues	<u>7,769,836</u>	<u>221,358</u>	<u>1,300,205</u>	<u>9,291,399</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,430,273	-	53,034	3,483,307
Special	706,590	-	-	706,590
Other	676,943	-	188,879	865,822
	<u>4,813,806</u>	<u>-</u>	<u>241,913</u>	<u>5,055,719</u>
Support services:				
Student	245,458	-	-	245,458
Instructional staff	161,918	-	23,565	185,483
Administration	834,927	-	3,360	838,287
Operation and maintenance of plant	690,610	-	90,576	781,186
Transportation	451,613	-	81,975	533,588
	<u>2,384,526</u>	<u>-</u>	<u>199,476</u>	<u>2,584,002</u>
Capital outlay	-	-	91,901	91,901
Long-term debt:				
Principal	-	470,000	-	470,000
Interest and fiscal charges	-	231,461	-	231,461
	<u>-</u>	<u>701,461</u>	<u>-</u>	<u>701,461</u>
Other expenditures:				
AEA flowthrough	278,545	-	-	278,545
Total expenditures	<u>7,476,877</u>	<u>701,461</u>	<u>533,290</u>	<u>8,711,628</u>
Excess(deficiency)of revenues over(under)expenditures	292,959	(480,103)	766,915	579,771
Other financing sources(uses):				
Transfer in	-	480,333	-	480,333
Transfer out	-	-	(480,333)	(480,333)
Total other financing sources(uses)	<u>-</u>	<u>480,333</u>	<u>(480,333)</u>	<u>-</u>
Change in fund balances	292,959	230	286,582	579,771
Fund balances beginning of year	214,278	566,688	389,526	1,170,492
Fund balances end of year	<u>\$ 507,237</u>	<u>566,918</u>	<u>676,108</u>	<u>1,750,263</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds**(page 22) \$ 579,771

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

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

Capital outlay	\$ 105,954	
Depreciation expense	(449,485)	
Loss on disposal	(15,017)	(358,548)

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. 470,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 24,904

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 499

The Current year District share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position 417,298

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:

Termination benefits	(93,046)	
Pension expense	(185,350)	
Other postemployment benefits	(35,421)	(313,817)

**Change in net position of governmental activities**(page 19) \$ 820,107

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise, School Nutrition
<b>ASSETS</b>	
Cash and pooled investments	\$ 27,608
Accounts receivable	43
Inventories	32,499
Capital assets, net of accumulated depreciation	71,186
<b>TOTAL ASSETS</b>	<b>131,336</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	20,859
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Salaries and benefits payable	26,557
Unearned revenue	6,509
Total current Liabilities	33,066
 <b>Noncurrent Liabilities:</b>	
Net Pension liability	99,180
Net OPEB liability	10,614
Total noncurrent liabilities	109,794
<b>TOTAL LIABILITIES</b>	<b>142,860</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	40,227
 <b>NET POSITION</b>	
Net investment in capital assets	71,186
Unrestricted	(102,078)
<b>TOTAL NET POSITION</b>	<b>\$ (30,892)</b>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 213,637
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	171,120
Benefits	26,894
Services	173
Supplies	135,583
Depreciation	13,317
Total operating expenses	347,087
Operating loss	(133,450)
Non-operating revenues:	
State sources	2,615
Federal sources	119,688
Interest on investments	40
Total non-operating revenues	122,343
Change in net position	(11,107)
Net position beginning of year, as restated	(19,785)
Net position end of year	\$ (30,892)

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 212,900
Cash payments to employees for services	(203,348)
Cash payments to suppliers for goods or services	(118,669)
Net cash used in operating activities	(109,117)
Cash flows from non-capital financing activities:	
State grants received	2,615
Federal grants received	97,633
Net cash provided by non-capital financing activities	100,248
Cash flows from investing activities:	
Interest on investments	40
Net decrease in cash and cash equivalents	(8,829)
Cash and cash equivalents beginning of year	36,437
Cash and cash equivalents end of year	\$ 27,608
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (133,450)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,055
Depreciation	13,317
Increase in inventories	(4,968)
Increase in accounts receivable	(17)
Increase in salaries and benefits payable	1,345
Increase in other postemployment benefits	1,864
Decrease in net pension liability	(42,524)
Increase in deferred outflows of resources	(6,246)
Increase in deferred inflows of resources	40,227
Decrease in unearned revenue	(720)
Net cash used in operating activities	\$ (109,117)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$22,055.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 43,259
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for scholarships	<u>\$ 43,259</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	2,050
Interest income	\$ 321
Total additions	<u>2,371</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,500</u>
Change in net position	(129)
Net position beginning of year	<u>43,388</u>
Net position end of year	<u>\$ 43,259</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

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

The Tri-Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Neola, Minden and Persia, Iowa, and the predominate agricultural territory in Harrison, Pottawattamie and Shelby Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison, Pottawattamie and Shelby Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

*Net Investment in capital assets*, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non major proprietary fund.

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

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

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

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

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

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

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

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

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

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

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

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal

year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

Unassigned - All amounts not included in other spendable classifications.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, the District exceeded its General Fund unspent authorized budget. The District also exceeded budgeted expenditures in the instruction and other expenditure functional areas during the year.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had no investments.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 480,333</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to pay the principal and interest on the District's revenue bond indebtedness.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 172,955	-	-	172,955
Less accumulated depreciation	88,452	13,317		101,769
Business type activities capital assets, net	<u>\$ 84,503</u>	<u>(13,317)</u>	-	<u>71,186</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,669	-	-	12,669
Construction in progress	552,989	59,134	612,123	-
Total capital assets not being depreciated	565,658	59,134	612,123	12,669
Capital assets being depreciated:				
Buildings	11,233,595	23,743	-	11,257,338
Land improvements	1,875,935	612,123	24,922	2,463,136
Machinery and equipment	2,115,904	23,077	22,013	2,116,968
Total capital assets being depreciated	15,225,434	658,943	46,935	15,837,442
Less accumulated depreciation for:				
Buildings	3,299,574	225,470	-	3,525,044
Land improvements	916,525	123,107	13,652	1,025,980
Machinery and equipment	1,692,869	100,908	18,266	1,775,511
Total accumulated depreciation	5,908,968	449,485	31,918	6,326,535
Total capital assets being depreciated, net	9,316,466	209,458	15,017	9,510,907
Governmental activities capital assets, net	\$ 9,882,124	268,592	627,140	9,523,576

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 16,839
Other		10,434
Support services:		
Instructional staff		28,773
Administration		7,911
Operation and maintenance of plant		10,726
Transportation		26,225
		100,908
Unallocated depreciation		348,577
Total governmental activities depreciation expense		\$ 449,485
Business type activities:		
Food service operations		\$ 13,317

## (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 210,000	-	210,000	-	-
Revenue bonds	5,505,000	-	260,000	5,245,000	270,000
Termination benefits	10,765	103,811	10,765	103,811	51,905
Net pension liability	3,827,591	-	1,148,620	2,678,971	-
Net OPEB liability	166,252	35,421	-	201,673	-
Total	\$ 9,719,608	139,232	1,629,385	8,229,455	321,905

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 141,704	-	42,524	99,180	-
Net OPEB liability	8,750	1,864	-	10,614	-
Total	\$ 150,454	1,864	42,524	109,794	-

### Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2009				Bond Issue of July 1, 2013				Total		
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2016	3.40	% \$ 225,000	206,448	431,448	0.85	% \$ 45,000	10,730	55,730	270,000	217,178	487,178
2017	3.60	240,000	198,303	438,303	1.00	35,000	10,348	45,348	275,000	208,651	483,651
2018	3.80	250,000	189,233	439,233	1.20	35,000	9,998	44,998	285,000	199,231	484,231
2019	4.00	260,000	179,282	439,282	1.40	35,000	9,578	44,578	295,000	188,860	483,860
2020	4.15	275,000	168,375	443,375	1.65	30,000	9,088	39,088	305,000	177,463	482,463
2021-2025	4.3-4.75	1,530,000	647,932	2,177,932	1.85-2.35	185,000	36,020	221,020	1,715,000	683,952	2,398,952
2026-2030	4.80-4.90	1,930,000	242,576	2,172,576	2.45-2.90	170,000	12,144	182,144	2,100,000	254,720	2,354,720
Total		\$ 4,710,000	1,832,148	6,542,148		\$ 535,000	97,906	632,906	5,245,000	1,930,054	7,175,054

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,510,000 bonds issued July 2009 and \$610,000 July 2013. The bonds were issued for the purpose of financing various infrastructure projects. The bonds are payable solely from the proceeds of the statewide sales, services use tax received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 75% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$7,175,054. For the current year, principal of \$260,000 and interest of \$224,725 was paid on the bonds and the total statewide sales, services and use tax revenues were \$646,480.

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

- a) \$450,630 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to use for any lawful purpose.

### Termination Benefits

In fiscal year 2015 the District offered an early retirement incentive plan to full time certified staff. Eligible staff were required to be 55 years old on or before June 30, 2013 and have completed at least ten years of contracted service with the Tri-Center Community School District. The employee was required to complete an application which was approved by Tri-Center Community School District's Board of Education.

The early retirement incentive is a cash payment of 50% of the employees (2014-15) salary, extra duty, extracurricular pay and TSS funds not to exceed \$30,000. Benefit will be paid in two equal payments on July 15, 2015 and July 15, 2016 respectively. For the year ended June 30, 2015, the District paid \$10,795 in early retirement benefits, and had a total retirement obligation to four participants totaling \$103,811.

#### **(6) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$432,702.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,778,151 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.06865 percent, which was an decrease of 0.00146 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$192,211. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,193	\$
Changes of assumptions	122,606	-
Net difference between projected and actual earnings on pension plan investments		1,059,507
Changes in proportion and differences between District contributions and proportionate share of contributions	-	67,311
District contributions subsequent to the measurement date	<u>432,702</u>	
Total	<u>\$ 585,501</u>	<u>\$ 1,126,818</u>

\$432,702 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (244,903)
2017	(244,903)
2018	(244,903)
2019	(244,903)
2020	5,593
	<u>\$ (974,019)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	2	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (-6.5%)	Discount Rate (-7.5%)	1% Increase (-8.5%)
District's proportionate share of the net pension liability	\$ 5,249,239	\$ 2,778,151	\$ 692,297

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$54,924 for legally required employer contributions and \$36,595 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 81 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which 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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,031
Interest on net OPEB obligation	4,375
Adjustment to annual required contribution	<u>(10,324)</u>
Annual OPEB cost	41,082
Contributions made	<u>(3,797)</u>
Increase in net OPEB obligation	37,285
Net OPEB obligation beginning of year	<u>175,002</u>
Net OPEB obligation end of year	<u><u>\$ 212,287</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$3,797 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$37,003	15.7%	\$140,754
2014	\$40,212	14.8%	\$175,002
2015	\$41,082	9.2%	\$212,287

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$318,893, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$318,893. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,396,393 and the ratio of the UAAL to covered payroll was 8.11%.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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

**(9) 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 \$278,545 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District’s ending restricted balances for categorical funding at June 30, 2015 is comprised of the following projects:

Program	Amount
Teacher salary supplement	\$ 47,434
Professional development	25,105
Professional development for model core curriculum	25,535
Teacher leadership grants	7,294
Successful progression for early readers	32,822
Total	<u>\$ 138,190</u>

**(11) Operating Lease**

The District entered into an operating lease for 3 buses with Mercedes-Benz Financial Services USA LLC on August 15, 2013. The remaining principal and interest payments are presented below:

Year Ending June 30,	Lease dated August 15, 2013			
	Interest Rates	Principal	Interest	Total
2016	2.36%	<u>\$ 35,110</u>	<u>4,510</u>	<u>39,620</u>

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the instruction and other expenditures functional areas exceeded that amounts budgeted and the District exceeded its General Fund unspent authorized budget.

**(13) Deficit Unrestricted/ Total Net Position**

The District has a deficit unrestricted net position of \$102,078 and a total deficit net position of \$30,892 in the Business Type Activity, Enterprise: School Nutrition Fund and a deficit unrestricted net position in its Governmental Activities of \$2,733,369 at June 30, 2015

**(14) Accounting Change/Restatement Note**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other

types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2014, as previously reported	\$ 5,435,373	\$ 107,306
Net pension liability at June 30, 2014	(3,827,591)	(141,704)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	<u>394,723</u>	<u>14,613</u>
Net position July 1, 2014, as restated	<u>\$ 2,002,505</u>	<u>\$ (19,785)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRI-CENTER COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES**  
**AND CHANGES IN BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS**  
**AND PROPRIETARY FUND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2015**

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,685,423	213,677	4,899,100	5,677,104	5,677,104	(778,004)
State sources	4,475,028	2,615	4,477,643	3,928,939	3,928,939	548,704
Federal sources	130,948	119,688	250,636	381,000	381,000	(130,364)
Total revenues	<u>9,291,399</u>	<u>335,980</u>	<u>9,627,379</u>	<u>9,987,043</u>	<u>9,987,043</u>	<u>(359,664)</u>
Expenditures/Expenses:						
Instruction	5,055,719	-	5,055,719	4,980,000	4,980,000	(75,719)
Support services	2,584,002	-	2,584,002	3,700,000	3,700,000	1,115,998
Non-instructional programs	-	347,087	347,087	588,500	588,500	241,413
Other expenditures	1,071,907	-	1,071,907	1,007,806	1,007,806	(64,101)
Total expenditures/expenses	<u>8,711,628</u>	<u>347,087</u>	<u>9,058,715</u>	<u>10,276,306</u>	<u>10,276,306</u>	<u>1,217,591</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	579,771	(11,107)	568,664	(289,263)	(289,263)	857,927
Other financing sources, net	-	-	-	2,500	2,500	2,500
Excess(deficiency)of revenues over(under) expenditures/expenses and other financing sources	579,771	(11,107)	568,664	(286,763)	(286,763)	855,427
Balances beginning of year, as restated	<u>1,170,492</u>	<u>(19,785)</u>	<u>1,150,707</u>	<u>689,700</u>	<u>689,700</u>	<u>(461,007)</u>
Balances end of year	<u>\$ 1,750,263</u>	<u>(30,892)</u>	<u>1,719,371</u>	<u>402,937</u>	<u>402,937</u>	<u>1,316,434</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the instruction and other expenditures functions exceed the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.068646%
District's proportionate share of the net pension liability	\$ 2,778,151
District's covered-employee payroll	\$ 4,845,492
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.33%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTION  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 432,702	409,335	392,846	353,386	305,343	287,719	268,420	254,287	197,817	212,137
Contributions in relation to the statutorily required contribution	<u>\$ (432,702)</u>	<u>(409,335)</u>	<u>(392,846)</u>	<u>(353,386)</u>	<u>(305,343)</u>	<u>(287,719)</u>	<u>(268,420)</u>	<u>(254,287)</u>	<u>(197,817)</u>	<u>(212,137)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,845,492	4,583,824	4,531,101	4,379,014	4,393,429	4,139,847	4,227,092	4,203,096	3,440,301	3,689,344
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRES SUPPLEMENTARY INFORMATIUON-PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 390	\$ 390	0.0%	\$ 2,390	16.32%
2011	July 1, 2009	-	390	390	0.0	3,836	10.17
2012	July 1, 2009	-	390	390	0.0	3,999	9.75
2013	July 1, 2012	-	332	332	0.0	4,010	8.28
2014	July 1, 2012	-	332	332	0.0	4,098	8.10
2015	July 1, 2012	-	332	332	0.0	4,396	8.11

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **SUPPLEMENTARY INFORMATION**

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
	ASSETS				
Cash and pooled investments	\$ 284,603	66,682	351,285	220,219	571,504
Receivables:					
Property tax:					
Delinquent	1,868	-	1,868	2,124	3,992
Succeeding year	200,000	-	200,000	234,972	434,972
Accounts	-	-	-	100,612	100,612
<b>TOTAL ASSETS</b>	<b>\$ 486,471</b>	<b>66,682</b>	<b>553,153</b>	<b>557,927</b>	<b>1,111,080</b>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 200,000	-	200,000	234,972	434,972
Fund balances:					
Restricted for:					
Management levy purposes	286,471	-	286,471	-	286,471
Student activities	-	66,682	66,682	-	66,682
School infrastructure	-	-	-	200,756	200,756
Physical plant and equipment	-	-	-	122,199	122,199
Total fund balances	286,471	66,682	353,153	322,955	676,108
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 486,471</b>	<b>66,682</b>	<b>553,153</b>	<b>557,927</b>	<b>1,111,080</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 200,260	-	200,260	227,648	427,908
Other	237	204,797	205,034	20,783	225,817
State sources	-	-	-	646,480	646,480
Total revenues	<u>200,497</u>	<u>204,797</u>	<u>405,294</u>	<u>894,911</u>	<u>1,300,205</u>
Expenditures:					
Current:					
Instruction:					
Regular	53,034	-	53,034	-	53,034
Other	-	188,879	188,879	-	188,879
Support services:					
Instructional staff	-	-	-	23,565	23,565
Administration	860	-	860	2,500	3,360
Operation and maintenance of plant	51,385	-	51,385	39,191	90,576
Transportation	42,355	-	42,355	39,620	81,975
Capital outlay	-	-	-	91,901	91,901
Total expenditures	<u>147,634</u>	<u>188,879</u>	<u>336,513</u>	<u>196,777</u>	<u>533,290</u>
Excess of revenues over expenditures	52,863	15,918	68,781	698,134	766,915
Other financing uses:					
Transfer out	-	-	-	(480,333)	(480,333)
Change in fund balances	52,863	15,918	68,781	217,801	286,582
Fund balances beginning of year	<u>233,608</u>	<u>50,764</u>	<u>284,372</u>	<u>105,154</u>	<u>389,526</u>
Fund balances end of year	<u>\$ 286,471</u>	<u>66,682</u>	<u>353,153</u>	<u>322,955</u>	<u>676,108</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 100,144	120,075	220,219
Receivables:			
Property tax:			
Delinquent	-	2,124	2,124
Succeeding year	-	234,972	234,972
Due from other governments	100,612	-	100,612
<b>TOTAL ASSETS</b>	<b>\$ 200,756</b>	<b>357,171</b>	<b>557,927</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	234,972	234,972
Fund balances:			
Restricted for:			
School infrastructure	200,756	-	200,756
Physical plant and equipment	-	122,199	122,199
Total fund balances	200,756	122,199	322,955
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 200,756</b>	<b>357,171</b>	<b>557,927</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	227,648	227,648
Other	86	20,697	20,783
State sources	646,480	-	646,480
Total revenues	646,566	248,345	894,911
Expenditures:			
Current:			
Support services:			
Instructional staff	-	23,565	23,565
Administration	2,500	-	2,500
Operation and maintenance of plant	-	39,191	39,191
Transportation	-	39,620	39,620
Capital outlay	67,033	24,868	91,901
Total expenditures	69,533	127,244	196,777
Excess of revenues over expenditures	577,033	121,101	698,134
Other financing uses:			
Transfer out	(480,333)	-	(480,333)
Change in fund balances	96,700	121,101	217,801
Fund balances beginning of year	104,056	1,098	105,154
Fund balances end of year	\$ 200,756	122,199	322,955

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 670	1,756	1,546	880
Cross Country	692	2,194	1,618	1,268
Boys Basketball	1,079	7,596	7,510	1,165
Football	604	24,863	23,695	1,772
Boys Soccer	117	1,184	1,301	-
Girls Soccer	120	3,014	3,133	1
Baseball	391	7,288	7,366	313
Boys Track	119	6,185	5,989	315
Golf	188	850	990	48
Wrestling	900	5,550	6,247	203
Girls Basketball	2,870	5,963	6,507	2,326
Volleyball	2,759	8,959	9,264	2,454
Summer Softball	154	2,810	2,508	456
Girls Track	410	7,198	6,196	1,412
Misc Athletics	741	2,850	1,328	2,263
General Activity	361	3,208	3,180	389
Class of 2015	2,941	4,088	6,305	724
B.O.B	722	2,337	1,217	1,842
Book Fair	827	3,172	2,780	1,219
Flags	422	244	542	124
Leadership	263	6,526	5,659	1,130
Class of 2016	-	8,034	5,246	2,788
Speech	18	405	-	423
Yearbook	1,987	9,279	8,649	2,617
Student Council-Persia	264	900	544	620
Student Council	1,339	2,744	2,834	1,249
Elementary Student Council	1,694	2,397	2,438	1,653
Musicals	3,897	6,202	6,426	3,673
TC Store	2,572	91	-	2,663
Elementary Yearbook	689	855	1,537	7
Special Education Athletics	2,480	2,628	832	4,276
High School Cheerleaders	1,291	6,375	7,468	198
Drill Team	1,473	-	555	918
Suess Reading	1,547	600	660	1,487
Elementary Art Club	2,846	1,373	1,011	3,208
R & W contest	500	-	-	500
National Honor Society	348	645	543	450
Astra	269	1,100	489	880
FFA	8,289	46,554	37,957	16,886
Vending	971	6,735	6,546	1,160
Band Resale	888	45	263	670
Trojan Fit Club	52	-	-	52
Total	<u>\$ 50,764</u>	<u>204,797</u>	<u>188,879</u>	<u>66,682</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2015

	Private Purpose Trust - Scholarship			
	Hamann Scholarship	Welbourn Scholarship	Pieper Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 30,284	515	12,460	43,259
LIABILITIES				
	-	-	-	-
NET POSITION				
Held in trust for scholarships	\$ 30,284	515	12,460	43,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship			Total
	Hamann Scholarship	Welbourn Foundation	Pieper Scholarship	
Additions:				
Local sources:				
Gifts and contributions		-	2,050	2,050
Interest income	\$ 121	-	200	321
Total additions	121	-	2,250	2,371
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	-	-	2,500	2,500
Change in net position	121	-	(250)	(129)
Net position beginning of year	30,163	515	12,710	43,388
Net position end of year	\$ 30,284	515	12,460	43,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**TRI-CENTER COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,550,439	3,356,364	3,884,418	3,794,268	3,868,868	3,280,365	3,261,605	2,782,176	2,423,778	2,398,369
Tuition	759,897	685,435	689,429	818,920	857,411	654,007	597,224	645,367	536,115	498,842
Other	375,087	385,461	454,058	394,847	353,723	550,408	506,560	413,074	443,285	357,153
State sources	4,475,028	4,431,663	3,661,148	3,768,733	3,512,773	3,192,111	3,794,638	3,941,911	3,611,309	3,373,903
Federal sources	130,948	137,596	141,678	146,852	518,017	488,544	220,280	175,522	186,544	179,102
<b>Total</b>	<b>\$ 9,291,399</b>	<b>8,996,519</b>	<b>8,830,731</b>	<b>8,923,620</b>	<b>9,110,792</b>	<b>8,165,435</b>	<b>8,380,307</b>	<b>7,958,050</b>	<b>7,201,031</b>	<b>6,807,369</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,483,307	3,403,563	3,506,776	3,380,264	3,304,609	3,187,135	3,899,837	3,036,371	2,981,854	2,670,044
Special	706,590	751,508	856,984	886,296	810,352	781,259	48,258	683,419	632,454	600,306
Other	865,822	938,373	974,890	774,092	747,311	749,792	594,809	718,634	648,224	618,370
Support services:										
Student	245,458	259,631	238,225	234,700	246,667	242,324	222,809	237,700	223,160	221,364
Instructional staff	185,483	314,952	334,087	168,817	223,701	357,346	150,760	142,267	176,587	219,886
Administration	838,287	855,012	726,184	808,543	832,993	772,575	795,844	782,199	844,635	667,394
Operation and maintenance of plant	781,186	811,379	827,352	851,363	871,904	815,439	731,850	741,138	718,495	743,051
Transportation	533,588	558,598	570,017	537,603	498,198	581,469	564,420	490,226	527,941	535,955
Non-instructional programs	-	8,370	7,786	6,408	4,200	7,654	6,466	6,564	13,536	5,815
Capital outlay	91,901	721,345	54,795	271,655	1,209,165	4,202,097	382,007	442,003	159,016	934,601
Long-term debt:										
Principal	470,000	440,000	385,000	380,000	370,000	235,000	225,000	295,599	437,550	240,000
Interest and fiscal charges	231,461	241,653	241,341	369,785	264,894	156,888	69,835	65,227	78,178	77,545
Other expenditures:										
AEA flow-through	278,545	267,970	255,865	255,250	284,824	285,263	263,375	256,930	238,260	219,625
<b>Total</b>	<b>\$ 8,711,628</b>	<b>9,572,354</b>	<b>8,979,302</b>	<b>8,924,776</b>	<b>9,668,818</b>	<b>12,374,241</b>	<b>7,955,270</b>	<b>7,898,277</b>	<b>7,679,890</b>	<b>7,753,956</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tri-Center Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2015.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Tri-Center Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2015  
Newton, Iowa

TRI-CENTER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

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

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

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

Conclusion - Response accepted.

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

II-A-15 Certified Budget - District disbursements for the year ended June 30, 2015, exceeded that amounts budgeted in the Instructional and other Expenditure functional areas. The District also exceeded its general Fund unspent authorized budget for the year end June 30, 2015 by approximately \$ 99,000.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee (SBRC) to resolve the General Fund unspent authorized budget over expenditure.

Response - We are aware that we exceeded the General Fund unspent Authorized Budget for FY15. The District has contacted SBRC and will be meeting with them on December 15.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-15 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-15 Business Transactions - No business transactions between the District and District officials were noted.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we did note that the final approved board minutes were not properly signed by the both the Board President and the Board Secretary.

Recommendation - The District should have all approved board Minutes signed by the Board Secretary and the Board President.

Response - We will have the Board President and Board Secretary sign all board minutes.

Conclusion - Response accepted.

II-G-15 Certified Enrollment - No variance in the basic enrollment data certified to the Iowa department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.5 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning Balance		\$	104,056
Revenues:			
Sales tax revenues	\$	646,480	
Other local revenues		86	
		<u>        </u>	<u>646,566</u>
			<u>750,622</u>
Expenditures/Transfer out:			
School infrastructure construction	\$	61,206	
Equipment		5,827	
Other		2,500	
Transfer to other funds:			
Debt service fund		<u>480,333</u>	<u>549,866</u>
Ending balance			<u><u>\$ 200,756</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Student Activity Fund - During our audit concerns arose about the propriety of certain expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fine, fees, rents or sales, textbook/library book purchases, sale of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of finding are listed below.

**Questionable Accounts:** We noted during our audit that the Student Activity Fund has a Book Fair, Sues Reading and Band Resale accounts that do not appear to be extracurricular or co-curricular in nature.

Recommendation - These accounts would appear to be instructional by nature and the District should review these accounts and move the remaining balances to the appropriate fund.

Response - These accounts will be moved to the General fund.

Conclusion - Response accepted.

**Instructional items Purchased:** It was noted during the audit that a field trip was expensed out of the Middle School Activity account. This field Trip appeared to be part of the District's regular instruction program and did not appear to be co-curricular or extracurricular in nature and is not appropriate out of the Student activity fun.

Recommendation - The field trip appears to be instructional in nature and would have been more appropriate accounted for out of the General Fund. The district should monitor expense from the Student Activity fund to ensure that they are co-curricular or extracurricular in nature.

Response - We will monitor expenses from the Student Activity Account.

Conclusion - Response accepted.

II-N-15 Sales of School Property – It was noted during the Audit that the District sold used iPads and computers to teachers. However, the district did not publish the notice of sale in accordance with Chapter 297.22 of the code of Iowa.

Recommendation - In accordance with Iowa Code Chapter 297.22 the sale of school property with a value of less than \$5,000 must be published by at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district. The district should publish such notice if it wishes to dispose of old district equipment valued under \$5,000.

Response - We will publish notice of sales of school property valued under \$5,000 in the future.

Conclusion - Response accepted.

II-O-15 Financial Condition - The District had the following deficit balances at June 30, 2015. The District had a deficit unrestricted net position of \$102,078 and a deficit total net position of \$30,892 in the School Nutrition Fund. The District also had a deficit unrestricted net position in the District's Governmental Activities of \$2,733,369.

Recommendation - The District should continue to monitor their governmental activities and investigate ways to bring this deficit back to a positive balance.

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$2,778,151 at June 30, 2015. The District will investigate ways to bring this deficit balance back to a positive balance.

Conclusion - Response accepted.