

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2008 Election)</b>		
Kelly Tish	President	2008
Justin Leer	Vice President	2010
Lisa Sieren	Board Member	2009
Mark McCullough	Board Member	2008
Gary Bates	Board Member	2009
<b>Board of Education</b>		
<b>(After September 2008 Election)</b>		
Kelly Tish	President	2011
Justin Leer	Vice President	2011*
Lisa Sieren	Board Member	2009
Jody Schroeder	Board Member	2011
Gary Bates	Board Member	2009
<b>School Officials</b>		
Bill Cox	Superintendent	2008
Rebecca Schmidt	District Secretary	2009
Joanne Bair	District Treasurer	2009
Richard Gaumer	District Attorney	2009

\* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

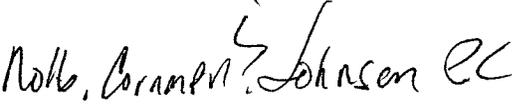
In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2010 on our consideration of Tri-County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2010

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

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Tri-County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,946,537 in fiscal year 2008 to \$3,055,800 in fiscal year 2009, while General Fund expenditures increased from \$3,155,034 in fiscal 2008 to \$3,229,377 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$600,859 in fiscal 2008 to \$427,282 in fiscal 2009.
- Overall, the District net assets in the governmental activities decreased by \$42,981, and the business type activities decreased by \$14,613, respectively.

### **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 Assets and a Statement of Activities. These provide information about the activities of Tri-County Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

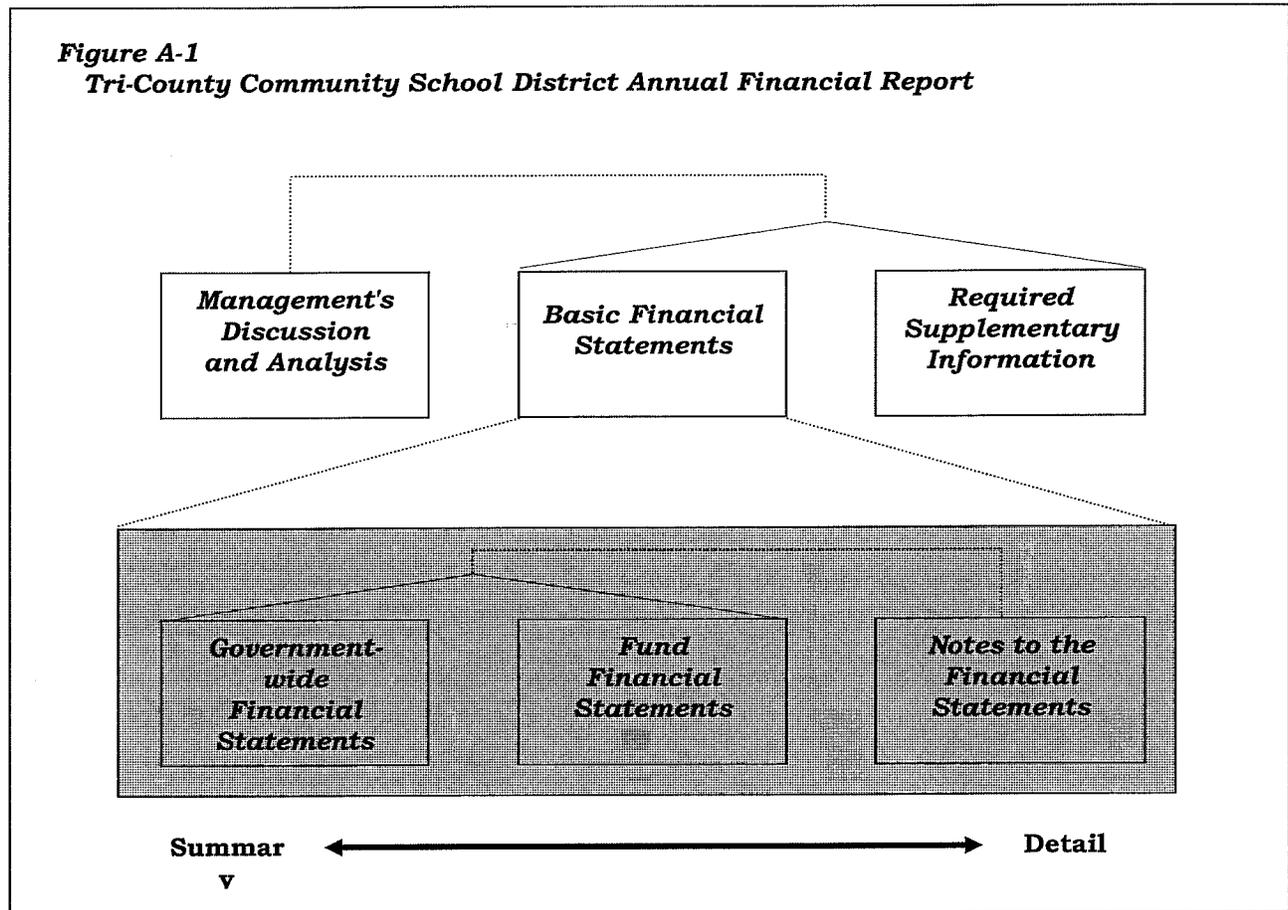


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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 assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 2,589,472	2,484,705	6,444	16,555	2,595,916	2,501,260	3.78%
Capital assets	1,206,489	1,263,917	35,639	40,158	1,242,128	1,304,075	-4.75%
Total assets	3,795,961	3,748,622	42,083	56,713	3,838,044	3,805,335	0.86%
Long-term obligations	1,170,555	1,320,590	0	0	1,170,555	1,320,590	-11.36%
Other liabilities	1,453,976	1,213,621	1,793	1,810	1,455,769	1,215,431	19.77%
Total liabilities	2,624,531	2,534,211	1,793	1,810	2,626,324	2,536,021	3.56%
Net assets:							
Invested in capital assets, net of related debt	51,489	(36,083)	35,639	40,158	87,128	4,075	2038.11%
Restricted	636,173	550,202	0	0	636,173	550,202	15.63%
Unrestricted	483,768	700,292	4,651	14,745	488,419	715,037	-31.69%
Total net assets	\$ 1,171,430	1,214,411	40,290	54,903	1,211,720	1,269,314	-4.54%

The District's combined net assets decreased by 4.54% over the prior year. The District's net assets, which are invested in capital assets (e.g., land, buildings and equipment), less the related debt, increased by 2038.11%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 15.63% over the prior year. The increase was primarily a result of the increase in the Management Levy fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased by 31.69% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
<b>Revenues and Transfers:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 252,245	303,650	65,697	72,266	317,942	375,916	-15.42%
Operating grants and contributions and restricted interest	542,461	483,618	76,385	86,628	618,846	570,246	8.52%
<b>General revenues:</b>							
Local tax	1,215,756	1,179,826	0	0	1,215,756	1,179,826	3.05%
Income surtax	140,894	128,889	0	0	140,894	128,889	9.31%
Statewide sales and service tax	211,704	199,430	0	0	211,704	199,430	6.15%
Unrestricted state grants	1,354,379	1,324,380	0	0	1,354,379	1,324,380	2.27%
Other	32,090	31,145	33	43	32,123	31,188	3.00%
Transfers	1,564	0	(1,564)	0	0	0	0.00%
<b>Total revenues and transfers</b>	<b>3,751,093</b>	<b>3,650,938</b>	<b>140,551</b>	<b>158,937</b>	<b>3,891,644</b>	<b>3,809,875</b>	<b>2.15%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	2,343,500	2,227,543	0	0	2,343,500	2,227,543	5.21%
Support services	1,058,237	1,075,565	9,221	0	1,067,458	1,075,565	-0.75%
Non-instructional programs	0	7,608	145,943	154,084	145,943	161,692	-9.74%
Other expenses	392,337	491,933	0	0	392,337	491,933	-20.25%
<b>Total expenses</b>	<b>3,794,074</b>	<b>3,802,649</b>	<b>155,164</b>	<b>154,084</b>	<b>3,949,238</b>	<b>3,956,733</b>	<b>-0.19%</b>
Change in net assets	(42,981)	(151,711)	(14,613)	4,853	(57,594)	(146,858)	-60.78%
Net assets beginning of year	1,214,411	1,366,122	54,903	50,050	1,269,314	1,416,172	-10.37%
Net assets end of year	\$ 1,171,430	1,214,411	40,290	54,903	1,211,720	1,269,314	-4.54%

In fiscal 2009, local tax and unrestricted state grants account for 68.52% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were approximately \$3.89 million of which \$3.75 million was for governmental activities and \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.15% in revenues and a decrease of 0.19% in expenses.

### Governmental Activities

Revenues for governmental activities were \$3,751,093 and expenses were \$3,794,074.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
	Instruction	\$ 2,343,500	2,227,543	5.21%	1,669,051	1,554,934
Support services	1,058,237	1,075,565	-1.61%	1,057,849	1,075,565	-1.65%
Non-instructional	0	7,608	-100.00%	0	7,608	-100.00%
Other expenses	392,337	491,933	-20.25%	272,468	377,274	-27.78%
Totals	<u>\$ 3,794,074</u>	<u>3,802,649</u>	<u>-0.23%</u>	<u>2,999,368</u>	<u>3,015,381</u>	<u>-0.53%</u>

- The cost financed by users of the District's programs was \$252,245.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$542,461.
- The net cost of governmental activities was financed with \$1,215,756 in local tax, \$140,894 in income surtax, \$211,704 in statewide sales and services tax, \$1,354,379 in unrestricted state grants and \$9,027 in interest income.

### Business Type Activities

Revenues of the District's business type activities were \$140,551 and expenses were \$155,164. The District's business type activities include the School Nutrition Fund and Child Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$994,097, compared to last year's ending fund balances of \$1,108,639.

### Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increase in local tax during the year, resulted in an increase in revenues. The increase in revenues wasn't enough to offset the increase in expenditures to allow the fund balance to increase.
- With increasing revenues and decreasing expenditures in the Management Levy fund, the fund balance increased from \$103,327 to an ending balance of \$181,641.

### Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$53,339 at June 30, 2008 to \$40,290 at June 30, 2009, representing a decrease of 24.46%. The Child Care Fund net assets decreased from a balance of \$1,564 to a balance of \$0.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$265,829 less than budgeted revenues, a variance of 3.36%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$1.24 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$202,424.

The original cost of the District's capital assets was \$4,435,500. Governmental funds account for \$4,364,533 with the remainder of \$70,967 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$51,532 at June 30, 2008 compared to \$70,784 at June 30, 2009. This increase is due to the purchase of a chain-link fence and concrete work during fiscal 2009.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 23,205	23,205	0	0	23,205	23,205	0.00%
Buildings	730,959	831,766	0	0	730,959	831,766	-12.12%
Improvements other than buildings	70,784	51,532	0	0	70,784	51,532	37.36%
Machinery and equipment	381,541	357,414	35,639	40,158	417,180	397,572	4.93%
Total	\$ 1,206,489	1,263,917	35,639	40,158	1,242,128	1,304,075	-4.75%

### Long-Term Debt

At June 30, 2009, the District had \$1,170,555 in general obligation and other long-term debt outstanding. This represents a decrease of 11.36% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$1,155,000 at June 30, 2009.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$8,373, which is a decrease of 40.62% from the prior year.

The District also had compensated absences of \$7,182 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 1,155,000	1,300,000	-11.15%
Early retirement	8,373	14,100	-40.62%
Compensated absences	7,182	6,490	10.66%
Totals	<u>\$ 1,170,555</u>	<u>1,320,590</u>	<u>-11.36%</u>

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of the District passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.

### **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 Beckie Schmidt, District Secretary and Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 960,108	1,524	961,632
Receivables:			
Property tax:			
Delinquent	19,220	0	19,220
Succeeding year	1,324,862	0	1,324,862
Income surtax	144,732	0	144,732
Accounts	130	46	176
Due from other governments	140,420	0	140,420
Inventories	0	4,874	4,874
Capital assets, net of accumulated depreciation	1,206,489	35,639	1,242,128
<b>Total Assets</b>	<b>3,795,961</b>	<b>42,083</b>	<b>3,838,044</b>
<b>Liabilities</b>			
Accounts payable	111,784	0	111,784
Accrued interest payable	3,333	0	3,333
Deferred revenue:			
Succeeding year property tax	1,324,862	0	1,324,862
Other	13,997	0	13,997
Unearned revenues	0	1,793	1,793
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	0	150,000
Early retirement payable	6,782	0	6,782
Compensated absences payable	7,182	0	7,182
Portion due after one year:			
General obligation bonds payable	1,005,000	0	1,005,000
Early retirement payable	1,591	0	1,591
<b>Total Liabilities</b>	<b>2,624,531</b>	<b>1,793</b>	<b>2,626,324</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	51,489	35,639	87,128
Restricted for:			
Categorical funding	39,136	0	39,136
Capital projects	135,036	0	135,036
Debt service	19,819	0	19,819
Management levy	173,268	0	173,268
Physical plant and equipment levy	186,848	0	186,848
Other special revenue purposes	82,066	0	82,066
Unrestricted	483,768	4,651	488,419
<b>Total Net Assets</b>	<b>\$ 1,171,430</b>	<b>40,290</b>	<b>1,211,720</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,366,347	94,658	403,296	(868,393)	0	(868,393)
Special	392,699	0	18,908	(373,791)	0	(373,791)
Other	584,454	157,587	0	(426,867)	0	(426,867)
	<u>2,343,500</u>	<u>252,245</u>	<u>422,204</u>	<u>(1,669,051)</u>	<u>0</u>	<u>(1,669,051)</u>
Support services:						
Student	1,754	0	0	(1,754)	0	(1,754)
Instructional staff	49,453	0	0	(49,453)	0	(49,453)
Administration	369,136	0	0	(369,136)	0	(369,136)
Operation and maintenance of plant	365,034	0	0	(365,034)	0	(365,034)
Transportation	272,860	0	388	(272,472)	0	(272,472)
	<u>1,058,237</u>	<u>0</u>	<u>388</u>	<u>(1,057,849)</u>	<u>0</u>	<u>(1,057,849)</u>
Other expenditures:						
Facilities acquisitions	88,751	0	0	(88,751)	0	(88,751)
Long-term debt interest	44,072	0	0	(44,072)	0	(44,072)
AEA flowthrough	119,869	0	119,869	0	0	0
Depreciation(unallocated)*	139,645	0	0	(139,645)	0	(139,645)
	<u>392,337</u>	<u>0</u>	<u>119,869</u>	<u>(272,468)</u>	<u>0</u>	<u>(272,468)</u>
Total governmental activities	3,794,074	252,245	542,461	(2,999,368)	0	(2,999,368)
Business Type activities:						
Support services:						
Administration	9,221	0	0	0	(9,221)	(9,221)
Non-instructional programs:						
Nutrition services	145,943	65,697	76,385	0	(3,861)	(3,861)
Total business type activities	<u>155,164</u>	<u>65,697</u>	<u>76,385</u>	<u>0</u>	<u>(13,082)</u>	<u>(13,082)</u>
Total	\$ 3,949,238	317,942	618,846	(2,999,368)	(13,082)	(3,012,450)
<b>General Revenues and Transfers:</b>						
General Revenues:						
Local tax for:						
General purposes				\$ 1,079,006	0	1,079,006
Capital outlay				47,856	0	47,856
Debt service				88,894	0	88,894
Income surtax				140,894	0	140,894
Statewide sales and services tax				211,704	0	211,704
Unrestricted state grants				1,354,379	0	1,354,379
Unrestricted investment earnings				9,027	33	9,060
Other				23,063	0	23,063
Transfers				1,564	(1,564)	0
Total general revenues and transfers				<u>2,956,387</u>	<u>(1,531)</u>	<u>2,954,856</u>
Changes in net assets				(42,981)	(14,613)	(57,594)
Net assets beginning of year				1,214,411	54,903	1,269,314
Net assets end of year				\$ 1,171,430	40,290	1,211,720

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Manage- ment Levy	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 486,960	179,121	294,027	960,108
Receivables:				
Property tax:				
Delinquent	14,538	2,520	2,162	19,220
Succeeding year	1,121,989	110,000	92,873	1,324,862
Income surtax	106,137	0	38,595	144,732
Interfund	0	0	4,728	4,728
Accounts	130	0	0	130
Due from other governments	56,163	0	84,257	140,420
<b>Total Assets</b>	<b>\$ 1,785,917</b>	<b>291,641</b>	<b>516,642</b>	<b>2,594,200</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 4,728	0	0	4,728
Accounts payable	111,784	0	0	111,784
Deferred revenue:				
Succeeding year property tax	1,121,989	110,000	92,873	1,324,862
Income surtax	106,137	0	38,595	144,732
Other	13,997	0	0	13,997
Total liabilities	1,358,635	110,000	131,468	1,600,103
Fund balances:				
Reserved for:				
Categorical funding	39,136	0	0	39,136
Debt service	0	0	19,819	19,819
Unreserved:				
Designated for cash flow	350,000	0	0	350,000
Undesignated	38,146	0	135,036	173,182
Special revenue purposes	0	181,641	230,319	411,960
Total fund balances	427,282	181,641	385,174	994,097
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,785,917</b>	<b>291,641</b>	<b>516,642</b>	<b>2,594,200</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$	994,097
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.		1,206,489
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		144,732
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(3,333)
Long-term liabilities, including general obligation bonds payable, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,170,555)</u>
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b><u>1,171,430</u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Special Revenue Manage- ment Levy	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,039,734	158,209	391,777	1,589,720
Tuition	45,330	0	0	45,330
Other	72,332	8,325	158,348	239,005
State sources	1,757,254	0	0	1,757,254
Federal sources	139,586	0	0	139,586
Total revenues	<u>3,054,236</u>	<u>166,534</u>	<u>550,125</u>	<u>3,770,895</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,352,294	6,300	0	1,358,594
Special	403,979	482	63	404,524
Other	421,501	0	162,953	584,454
	<u>2,177,774</u>	<u>6,782</u>	<u>163,016</u>	<u>2,347,572</u>
Support services:				
Student	1,754	0	0	1,754
Instructional staff	49,453	0	0	49,453
Administration	368,835	0	0	368,835
Operation and maintenance of plant	277,098	81,438	0	358,536
Transportation	222,362	0	11,825	234,187
	<u>919,502</u>	<u>81,438</u>	<u>11,825</u>	<u>1,012,765</u>
Other expenditures:				
Facilities acquisitions	0	0	217,403	217,403
Long-term debt:				
Principal	0	0	145,000	145,000
Interest and fiscal charges	0	0	44,392	44,392
AEA flowthrough	119,869	0	0	119,869
	<u>119,869</u>	<u>0</u>	<u>406,795</u>	<u>526,664</u>
Total expenditures	<u>3,217,145</u>	<u>88,220</u>	<u>581,636</u>	<u>3,887,001</u>
Excess(deficiency) of revenues over(under) expenditures	(162,909)	78,314	(31,511)	(116,106)
Other financing sources(uses):				
Transfer in	1,564	0	112,232	113,796
Transfer out	(12,232)	0	(100,000)	(112,232)
Total other financing sources(uses)	<u>(10,668)</u>	<u>0</u>	<u>12,232</u>	<u>1,564</u>
Net change in fund balances	(173,577)	78,314	(19,279)	(114,542)
Fund balance beginning of year	600,859	103,327	404,453	1,108,639
Fund balance end of year	<u>\$ 427,282</u>	<u>181,641</u>	<u>385,174</u>	<u>994,097</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (114,542)

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation and capital outlay expenditures in the current year, are as follows:

Capital outlays	\$ 140,477	
Depreciation expense	<u>(197,905)</u>	(57,428)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (21,366)

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.

Early Retirement	\$ 5,727	
Compensated absences	<u>(692)</u>	5,035

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 145,000

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. 320

**Changes in net assets of governmental activities (page 14) \$ (42,981)**

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 1,524
Accounts receivable	46
Inventories	4,874
Capital assets, net of accumulated depreciation	<u>35,639</u>
<b>Total Assets</b>	<u>42,083</u>
<b>Liabilities</b>	
Unearned revenue	<u>1,793</u>
<b>Net Assets</b>	
Invested in capital assets	35,639
Unrestricted	<u>4,651</u>
<b>Total Net Assets</b>	<u>\$ 40,290</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Child Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 65,697	0	65,697
OPERATING EXPENSES:			
Support services:			
Administration:			
Salaries	8,089	0	8,089
Benefits	1,132	0	1,132
	9,221	0	9,221
Non-instructional programs:			
Food service operations:			
Salaries	53,324	0	53,324
Benefits	15,759	0	15,759
Services	2,845	0	2,845
Supplies	69,496	0	69,496
Depreciation	4,519	0	4,519
	145,943	0	145,943
TOTAL OPERATING EXPENSES	155,164	0	155,164
OPERATING LOSS	(89,467)	0	(89,467)
NON-OPERATING REVENUES:			
State sources	1,696	0	1,696
Federal sources	74,689	0	74,689
Interest income	33	0	33
TOTAL NON-OPERATING REVENUES	76,418	0	76,418
Loss before other financing uses	(13,049)	0	(13,049)
Other financing uses:			
Transfer out	0	(1,564)	(1,564)
Changes in net assets	(13,049)	(1,564)	(14,613)
Net assets beginning of year	53,339	1,564	54,903
Net assets end of year	\$ 40,290	0	40,290

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Child Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 65,175	0	65,175
Cash received from miscellaneous operating activities	459	0	459
Cash payments to employees for services	(78,304)	0	(78,304)
Cash payments to suppliers for goods or services	(60,805)	0	(60,805)
Net cash used in operating activities	(73,475)	0	(73,475)
Cash flows from non-capital financing activities:			
State grants received	1,696	0	1,696
Federal grants received	63,568	0	63,568
Transfer to General Fund	0	(1,564)	(1,564)
Net cash provided by(used in) non-capital financing activities	65,264	(1,564)	63,700
Cash flows from investing activities:			
Interest on investment	33	0	33
Net decrease in cash and cash equivalents	(8,178)	(1,564)	(9,742)
Cash and cash equivalents at beginning of year	9,702	1,564	11,266
Cash and cash equivalents at end of year	\$ 1,524	0	1,524
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (89,467)	0	(89,467)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	11,121	0	11,121
Depreciation	4,519	0	4,519
Decrease in inventories	415	0	415
Increase in accounts receivable	(46)	0	0
Decrease in unearned revenue	(17)	0	(17)
Net cash used in operating activities	\$ (73,475)	0	(73,429)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 1,524	0	1,524
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2009, the District received Federal commodities valued at \$11,121.			

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Special Revenue - Management Levy Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Child Care Fund. The Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for child care services.

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a

1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

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

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by

the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

Type	Amortized Cost
Diversified portfolio	\$ 442,049

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	\$ 4,728

**(4) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 100,000
Capital Projects	General	10,550
Physical Plant and Equipment Levy	General	1,682
General	Enterprise - Child Care Fund	1,564
		<u>\$ 113,796</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,205	0	0	23,205
Total capital assets not being depreciated	<u>23,205</u>	<u>0</u>	<u>0</u>	<u>23,205</u>
Capital assets being depreciated:				
Buildings	3,088,098	33,260	0	3,121,358
Land improvements	192,744	24,830	18,125	199,449
Machinery and equipment	938,134	82,387	0	1,020,521
Total capital assets being depreciated	<u>4,218,976</u>	<u>140,477</u>	<u>18,125</u>	<u>4,341,328</u>
Less accumulated depreciation for:				
Buildings	2,256,332	134,067	0	2,390,399
Land improvements	141,212	5,578	18,125	128,665
Machinery and equipment	580,720	58,260	0	638,980
Total accumulated depreciation	<u>2,978,264</u>	<u>197,905</u>	<u>18,125</u>	<u>3,158,044</u>
Total capital assets being depreciated, net	<u>1,240,712</u>	<u>(57,428)</u>	<u>0</u>	<u>1,183,284</u>
Governmental activities capital assets, net	<u>\$ 1,263,917</u>	<u>(57,428)</u>	<u>0</u>	<u>1,206,489</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 73,382	0	2,415	70,967
Less accumulated depreciation	33,224	4,519	2,415	35,328
Business type activities capital assets, net	<u>\$ 40,158</u>	<u>(4,519)</u>	<u>0</u>	<u>35,639</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,480
Support services:	
Operation and maintenance of plant	6,107
Transportation	<u>38,673</u>
	58,260
Unallocated depreciation	<u>139,645</u>
Total governmental activities depreciation expense	<u>\$ 197,905</u>
Business type activities:	
Food services	<u>\$ 4,519</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,300,000	0	145,000	1,155,000	150,000
Early retirement	14,100	0	5,727	8,373	6,782
Compensated absences	6,490	7,182	6,490	7,182	7,182
Total	\$ 1,320,590	7,182	157,217	1,170,555	163,964

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee has more than 25 consecutive years, they will be entitled to an additional \$1,500 for five years. Early retirement benefits paid during the year ended June 30, 2009, totaled \$5,727. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2003				
	Interest Rates	Principal	Interest	Total	
2010	3.00 %	\$ 150,000	39,990	189,990	
2011	3.20	155,000	35,490	190,490	
2012	3.30	155,000	30,530	185,530	
2013	3.40	165,000	25,415	190,415	
2014	3.60	170,000	19,805	189,805	
2015	3.75	175,000	13,685	188,685	
2016	3.85	185,000	7,122	192,122	
Subtotal		\$ 1,155,000	172,037	1,327,037	

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$126,003, \$120,529 and \$100,399 respectively, equal to the required contributions for each year.

**(8) Risk Management**

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

**(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 \$119,869 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(10) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
At-risk program	\$ 9,983
Talented and gifted	5,519
Dropout prevention program	2,668
Beginning teacher mentoring	2,321
Salary improvement program	14
Model core curriculum	4,929
Professional development	11,598
Market factor incentives	2,104
Total	<u>\$ 39,136</u>

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 1,874,055	65,730	1,939,785	2,112,616	2,112,616	(172,831)
State sources	1,757,254	1,696	1,758,950	1,851,223	1,851,223	(92,273)
Federal sources	139,586	74,689	214,275	215,000	215,000	(725)
Total revenues	<u>3,770,895</u>	<u>142,115</u>	<u>3,913,010</u>	<u>4,178,839</u>	<u>4,178,839</u>	<u>(265,829)</u>
<b>Expenditures/Expenses:</b>						
Instruction	2,347,572	0	2,347,572	2,811,038	2,811,038	463,466
Support services	1,012,765	9,221	1,021,986	1,805,000	1,805,000	783,014
Non-instructional programs	0	145,943	145,943	282,150	282,150	136,207
Other expenditures	526,664	0	526,664	543,146	543,146	16,482
Total expenditures/expenses	<u>3,887,001</u>	<u>155,164</u>	<u>4,042,165</u>	<u>5,441,334</u>	<u>5,441,334</u>	<u>1,399,169</u>
Deficiency of revenues under expenditures/expenses	(116,106)	(13,049)	(129,155)	(1,262,495)	(1,262,495)	1,133,340
Other financing sources(uses), net	1,564	(1,564)	0	0	0	0
Deficiency of revenues and other financing sources(uses) under expenditures/expenses	(114,542)	(14,613)	(129,155)	(1,262,495)	(1,262,495)	1,133,340
Balance beginning of year	1,108,639	54,903	1,163,542	1,262,495	1,262,495	(98,953)
Balance end of year	<u>\$ 994,097</u>	<u>40,290</u>	<u>1,034,387</u>	<u>0</u>	<u>0</u>	<u>1,034,387</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009

	Special Revenue Funds					Total
	Physical		Total	Capital	Debt	Other
	Student	Equipment	Special	Projects	Service	Nonmajor
	Activity	Levy	Revenue			Governmental
						Funds
<b>Assets</b>						
Cash and pooled investments	\$ 82,066	142,768	224,834	50,779	18,414	294,027
Receivables:						
Property tax:						
Current year delinquent		0	757	757	0	1,405
Succeeding year		0	52,483	52,483	0	40,390
Income surtax		0	38,595	38,595	0	0
Interfund		0	4,728	4,728	0	0
Due from other governments		0	0	84,257	0	84,257
<b>Total Assets</b>	<b>\$ 82,066</b>	<b>239,331</b>	<b>321,397</b>	<b>135,036</b>	<b>60,209</b>	<b>516,642</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 0	52,483	52,483	0	40,390	92,873
Income surtax		0	38,595	38,595	0	0
Total liabilities		0	91,078	91,078	0	40,390
Fund balances:						
Reserved:						
Debt service		0	0	0	0	19,819
Unreserved:						
Undesignated		0	0	0	135,036	0
Special revenue purposes	82,066	148,253	230,319	0	0	230,319
Total fund balances	82,066	148,253	230,319	135,036	19,819	385,174
<b>Total Liabilities and Fund Balances</b>	<b>\$ 82,066</b>	<b>239,331</b>	<b>321,397</b>	<b>135,036</b>	<b>60,209</b>	<b>516,642</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Physical Plant and Student Activity	Equipment Levy	Total Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 0	91,179	91,179	211,704	88,894	391,777
Other	157,587	624	158,211	0	137	158,348
TOTAL REVENUES	157,587	91,803	249,390	211,704	89,031	550,125
EXPENDITURES:						
Current:						
Instruction:						
Special	63	0	63	0	0	63
Other	162,264	689	162,953	0	0	162,953
Support services:						
Transportation	0	11,825	11,825	0	0	11,825
Other expenditures:						
Facilities acquisitions	0	74,242	74,242	143,161	0	217,403
Long-term debt:						
Principal	0	0	0	0	145,000	145,000
Interest	0	0	0	0	44,392	44,392
TOTAL EXPENDITURES	162,327	86,756	249,083	143,161	189,392	581,636
Excess(deficiency) of revenues over(under) expenditures	(4,740)	5,047	307	68,543	(100,361)	(31,511)
OTHER FINANCING SOURCES(USES):						
Transfer in	0	1,682	1,682	10,550	100,000	112,232
Transfer out	0	0	0	(100,000)	0	(100,000)
TOTAL OTHER FINANCING SOURCES(USES)	0	1,682	1,682	(89,450)	100,000	12,232
Net change in fund balances	(4,740)	6,729	1,989	(20,907)	(361)	(19,279)
FUND BALANCES BEGINNING OF YEAR	86,806	141,524	228,330	155,943	20,180	404,453
FUND BALANCES END OF YEAR	\$ 82,066	148,253	230,319	135,036	19,819	385,174

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,306	3,158	3,831	1,633
Inst/vocal trip	4,828	2,481	1,802	5,507
High school vocal fund	350	320	146	524
Future business leaders of America	604	0	0	604
Welcome baby	538	0	0	538
Athletic resale	(32)	4,025	3,251	742
Athletic non resale	(1,328)	37,109	43,644	(7,863)
Athletic gate receipts	3,897	15,511	10,636	8,772
P.C. fund	561	1,986	0	2,547
Wrestling	198	0	0	198
Student interest	1,155	591	50	1,696
Student petty cash	25	0	0	25
Miscellaneous student resale	736	0	0	736
Home ec resale	642	0	0	642
Character counts	552	0	0	552
Student council	2,150	1,765	1,313	2,602
TAG	807	774	331	1,250
Cheerleading	2,477	2,884	3,653	1,708
Dance squad	1,528	1,363	2,151	740
National honor society	1,461	1,184	1,246	1,399
Spanish club	1,568	0	0	1,568
Athletics candy fundraiser	8,718	3,039	10,818	939
JH miscellaneous	1,743	0	0	1,743
Annual 2008-09	4,281	1,120	903	4,498
Class of 2010	2,637	7,655	5,921	4,371
Class of 2011	701	2,570	345	2,926
Class of 2012	691	312	666	337
Class of 2013	3,603	23,001	26,193	411
Trojan annual	1,669	7,307	6,198	2,778
FFA	10,662	16,712	12,408	14,966
Horticulture	4,347	941	878	4,410
Instrument resale	1,723	612	342	1,993
Vo Ag resale	644	0	0	644
Shop glasses	709	0	88	621
Elementary wrestling	3,881	5,209	4,104	4,986
Elementary fund raisers	15,774	15,958	21,409	10,323
<b>Total</b>	<b>\$ 86,806</b>	<b>157,587</b>	<b>162,327</b>	<b>82,066</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2009

	Beginning Balance	Increases	Decreases	Ending Balance
Assets:				
Cash and other investments	\$ 1,081	0	1,081	0
Liabilities:				
Due to other groups	\$ 1,081	0	1,081	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,589,720	1,480,082	1,558,501	1,505,041	1,500,142	1,301,036
Tuition	45,330	99,472	71,744	97,048	83,664	82,026
Other	239,005	235,323	292,229	271,836	237,375	374,256
State sources	1,757,254	1,685,116	1,579,975	1,602,663	1,464,820	1,389,719
Federal sources	139,586	122,882	126,530	133,778	106,165	146,322
Total	<u>\$ 3,770,895</u>	<u>3,622,875</u>	<u>3,628,979</u>	<u>3,610,366</u>	<u>3,392,166</u>	<u>3,293,359</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 1,358,594	1,378,382	1,273,126	1,159,799	1,263,162	1,187,384
Special instruction	404,524	489,216	485,136	491,618	411,429	466,193
Other instruction	584,454	368,264	378,135	340,554	392,457	366,542
Support services:						
Student services	1,754	18,750	31,031	57,696	55,533	53,985
Instructional staff services	49,453	57,315	62,312	65,420	25,097	21,535
Administration services	368,835	383,751	323,994	335,427	380,622	364,691
Operation and maintenance of plant services	358,536	364,777	330,843	316,066	294,170	271,571
Transportation services	234,187	219,808	272,527	200,568	228,497	211,904
Non-instructional programs	0	7,608	19,554	20,641	32,054	23,742
Other expenditures:						
Facilities acquisition	217,403	190,462	157,535	92,957	54,543	56,246
Long-term debt:						
Principal	145,000	140,000	135,000	130,000	125,000	130,000
Interest	44,392	50,563	55,743	59,867	65,268	61,134
AEA flowthrough	119,869	114,659	110,869	106,737	106,686	108,892
Total	<u>\$ 3,887,001</u>	<u>3,783,555</u>	<u>3,635,805</u>	<u>3,377,350</u>	<u>3,434,518</u>	<u>3,323,819</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2010. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tri-County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Tri-County Community School District's financial statements that is more than inconsequential will not be prevented or detected by Tri-County Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Tri-County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tri-County Community School District and other parties to whom Tri-County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2010

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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 - The District will review its procedures.

Conclusion - Response accepted.

I-B-09 Student Activity Fund - During our audit issues arose about the properness of certain receipts/expenditures paid from 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 fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. More specific examples of these instances of questioned items and recommendations are as follows:

There was a Student Interest account that had a balance remaining at the end of the year. The interest collected during the year should be allocated out to other student activity accounts. The balance remaining at the end of the current year should be allocated out to other activity accounts or an action plan needs to be put in place on how the District plans to spend this balance within the Student Activity Fund.

There was a balance remaining at the end of the year in the P.C. fund account. The revenues appear to be from vending machines. This account should be closed annually.

The Elementary Fund raisers account should be reviewed. Fundraisers for specific purposes should be receipted into the fund where the monies can be expended. Playground equipment, fieldtrips, instructional supplies, staff lunches, book fairs and student incentives are more appropriately handled through the General Fund.

There was a balance remaining at the end of the year in the Shop Glasses account. This account would appear to be more appropriately run through the General Fund. A transfer should be made to move this balance to the General Fund where the monies can be receipted and expended.

Donations made to the District should be placed in the most appropriate place based upon donor request. Box Tops for Education and Target donations are donated to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be to the General Fund. The District should record future donations from Box Tops for Education and Target in the General Fund.

Lifetouch picture commissions are receipted into the Student Activity Fund. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Noted a \$2,100 payment for the senior class trip. The money was distributed to senior class students for spending money on the trip. The remaining balance in the class account should not be distributed to the students. The Board should approve how much each student receives per meal. Students should sign off on how much money they received.

Response - The Student Activity Fund will be monitored more closely on a monthly basis.

Conclusion - Response accepted.

I-C-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - In the future, we will double check the account codes to ensure they are correct.

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.

II-B-09 Questionable Disbursements - We noted during our audit that the District gave saving bonds to individual students from the Student Activity Fund as incentive prizes for the top-salesperson. Saving bonds as incentive prizes do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - This will not be a practice used by the District in the future.

Conclusion - Response accepted.

II-C-09 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-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Schroeder, Board Member Spouse owns Schroeder's Service	Vehicle supplies	\$2,420

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Board Member Jody Schroeder do not appear to be a conflict of interest.

II-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The minutes will be published timely.

Conclusion - Response accepted.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

- II-H-09 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-I-09 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-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the used of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	0
Statewide sales and services tax revenue			211,704
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$	111,704	
Debt service for school infrastructure:			
General obligation debt		<u>100,000</u>	<u>100,000</u>
Ending balance		<u>\$</u>	<u>0</u>

Levies reduced as result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	<u>          </u>	<u>          </u>
Debt service levy	\$ 1.15429	\$ 100,000

- II-L-09 Financial Condition -The Student Activity Fund contained one negative account balance totaling \$7,863.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate deficit balances.

Response - This will be monitored more closely to avoid future negative balances.

Conclusion - Response accepted.