

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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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 2009 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>Board of Education</b>               |   |                     |
| <b>(After September 2009 Election)</b>  |   |                     |
| Kelly Tish                              | President                               | 2011                |
| Gary Bates                              | Vice President                          | 2013                |
| Berdette Ogden                          | Board Member                            | 2013                |
| Jody Schroeder                          | Board Member                            | 2011                |
| Justin Leer                             | Board Member                            | 2011                |
| <b>School Officials</b>                 |   |                     |
| Bill Cox                                | Superintendent                          | 2010                |
| Rebecca Schmidt                         | District Secretary/<br>Business Manager | 2010                |
| Joanne Bair                             | District Treasurer                      | 2010                |
| Richard Gaumer                          | District Attorney                       | 2010                |

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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, 2010, 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, 2010, 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.

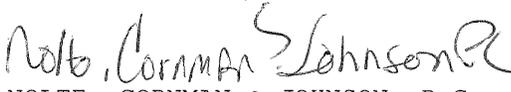
In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2011 on our consideration of Tri-County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 are not required

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parts of the basic financial statements, but are supplementary 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 six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

March 23, 2011

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,055,800 in fiscal year 2009 to \$3,085,656 in fiscal year 2010, while General Fund expenditures decreased from \$3,229,377 in fiscal 2009 to \$3,195,142 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$427,282 in fiscal 2009 to \$317,796 in fiscal 2010.
- Overall, the District net assets in the governmental activities decreased by \$28,037, and the business type activities decreased by \$2,263, 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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

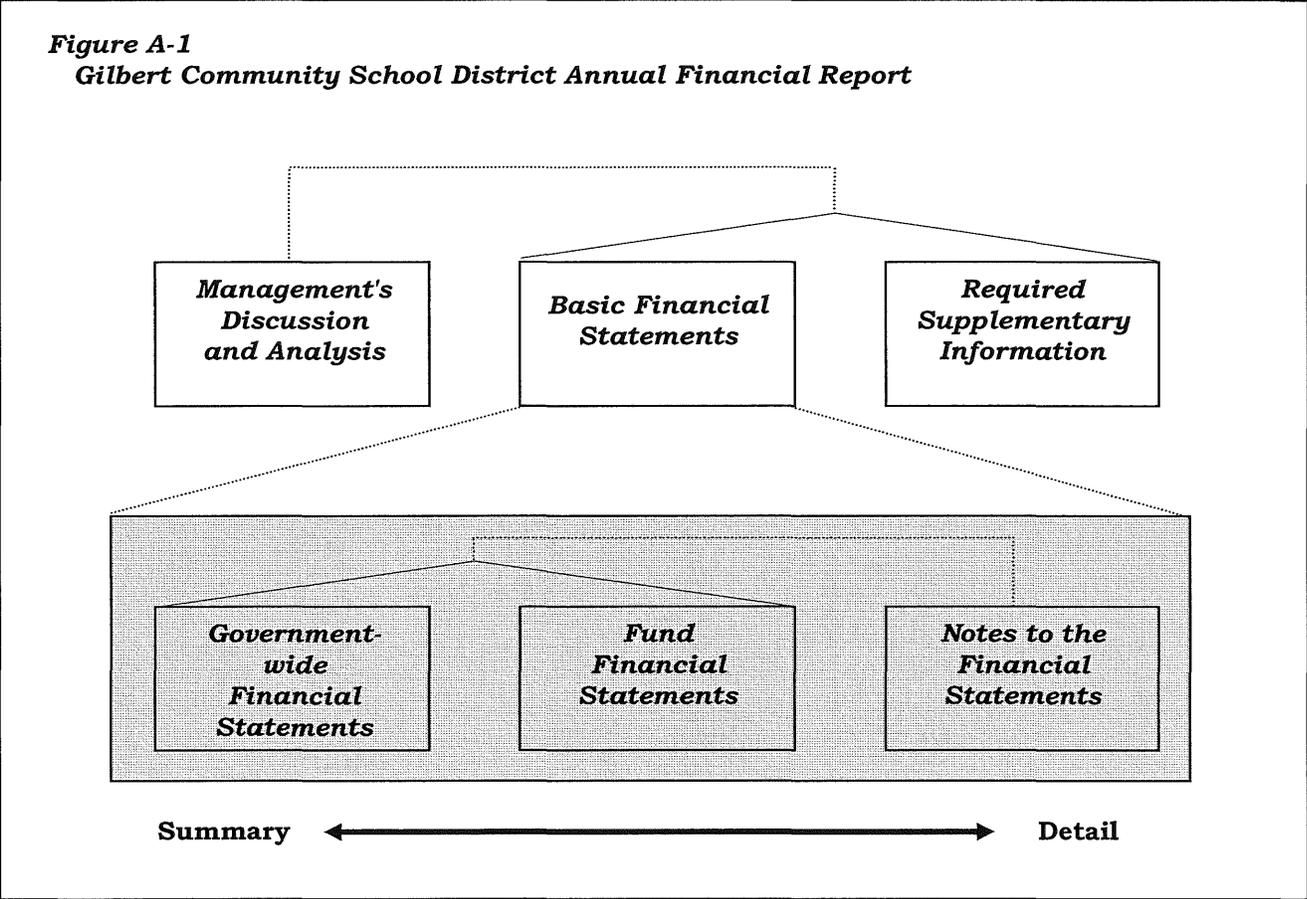


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has 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.

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, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

|  | Governmental |           | Business Type |        | Total           |           | Total    |
|--|--------------|-----------|---------------|--------|-----------------|-----------|----------|
|  | Activities   |           | Activities    |        | School District |           | Change   |
|  | June 30,     |           | June 30,      |        | June 30,        |           | June 30, |
|  | 2010         | 2009      | 2010          | 2009   | 2010            | 2009      | 2009-10  |
| Current and other assets                           | \$ 2,737,547 | 2,589,472 | 8,015         | 6,444  | 2,745,562       | 2,595,916 | 5.76%    |
| Capital assets                                     | 1,060,506    | 1,206,489 | 31,121        | 35,639 | 1,091,627       | 1,242,128 | -12.12%  |
| Total assets                                       | 3,798,053    | 3,795,961 | 39,136        | 42,083 | 3,837,189       | 3,838,044 | -0.02%   |
| Long-term obligations                              | 1,036,348    | 1,170,555 | 590           | 0      | 1,036,938       | 1,170,555 | -11.41%  |
| Other liabilities                                  | 1,618,312    | 1,453,976 | 519           | 1,793  | 1,618,831       | 1,455,769 | 11.20%   |
| Total liabilities                                  | 2,654,660    | 2,624,531 | 1,109         | 1,793  | 2,655,769       | 2,626,324 | 1.12%    |
| Net assets:  |              |           |               |        |                 |           |          |
| Invested in capital assets,<br>net of related debt | 55,506       | 51,489    | 31,121        | 35,639 | 86,627          | 87,128    | -0.58%   |
| Restricted   | 678,455      | 636,173   | 0             | 0      | 678,455         | 636,173   | 6.65%    |
| Unrestricted                                       | 409,432      | 483,768   | 6,906         | 4,651  | 416,338         | 488,419   | -14.76%  |
| Total net assets                                   | \$ 1,143,393 | 1,171,430 | 38,027        | 40,290 | 1,181,420       | 1,211,720 | -2.50%   |

The District's combined net assets decreased by 2.50% 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, decreased by 0.58%. 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 6.65% over the prior year. The increase was primarily a result of the increase in the Capital Projects 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 14.76% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4  
Changes in Net Assets

|  | Governmental |           | Business Type |          | Total           |           | Total   |
|--|--------------|-----------|---------------|----------|-----------------|-----------|---------|
|  | Activities   |           | Activities    |          | School District |           | Change  |
|  | June 30,     | June 30,  | June 30,      | June 30, | June 30,        | June 30,  | 2009-10 |
|  | 2010         | 2009      | 2010          | 2009     | 2010            | 2009      |         |
| Revenues and Transfers:                                    |              |           |               |          |                 |           |         |
| Program revenues:  |              |           |               |          |                 |           |         |
| Charges for services                                       | \$ 216,748   | 252,245   | 65,338        | 65,697   | 282,086         | 317,942   | -11.28% |
| Operating grants and contributions and restricted interest | 727,814      | 542,461   | 74,665        | 76,385   | 802,479         | 618,846   | 29.67%  |
| Capital grants and contributions and restricted interest   | 9,785        | 0         | 0             | 0        | 9,785           | 0         | 100.00% |
| General revenues:  |              |           |               |          |                 |           |         |
| Local tax  | 1,326,113    | 1,215,756 | 0             | 0        | 1,326,113       | 1,215,756 | 9.08%   |
| Income surtax  | 224,851      | 140,894   | 0             | 0        | 224,851         | 140,894   | 59.59%  |
| Statewide sales, services and use tax                      | 208,646      | 211,704   | 0             | 0        | 208,646         | 211,704   | -1.44%  |
| Unrestricted state grants                                  | 981,579      | 1,354,379 | 0             | 0        | 981,579         | 1,354,379 | -27.53% |
| Other  | 38,956       | 32,090    | 80            | 33       | 39,036          | 32,123    | 21.52%  |
| Transfers  | (2,500)      | 1,564     | 2,500         | (1,564)  | 0               | 0         | 0.00%   |
| Total revenues and transfers                               | 3,731,992    | 3,751,093 | 142,583       | 140,551  | 3,874,575       | 3,891,644 | -0.44%  |
| Program expenses:  |              |           |               |          |                 |           |         |
| Governmental activities:                                   |              |           |               |          |                 |           |         |
| Instruction  | 2,409,050    | 2,343,500 | 0             | 0        | 2,409,050       | 2,343,500 | 2.80%   |
| Support services   | 996,331      | 1,058,237 | 7,154         | 9,221    | 1,003,485       | 1,067,458 | -5.99%  |
| Non-instructional programs                                 | 150          | 0         | 137,692       | 145,943  | 137,842         | 145,943   | -5.55%  |
| Other expenses   | 354,498      | 392,337   | 0             | 0        | 354,498         | 392,337   | -9.64%  |
| Total expenses   | 3,760,029    | 3,794,074 | 144,846       | 155,164  | 3,904,875       | 3,949,238 | -1.12%  |
| Change in net assets                                       | (28,037)     | (42,981)  | (2,263)       | (14,613) | (30,300)        | (57,594)  | -47.39% |
| Net assets beginning of year                               | 1,171,430    | 1,214,411 | 40,290        | 54,903   | 1,211,720       | 1,269,314 | -4.54%  |
| Net assets end of year                                     | \$ 1,143,393 | 1,171,430 | 38,027        | 40,290   | 1,181,420       | 1,211,720 | -2.50%  |

In fiscal 2010, local tax and unrestricted state grants account for 61.84% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.19% of the revenue from business type activities.

The District's total revenues were approximately \$3.87 million of which \$3.73 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 a decrease of 0.44% in revenues and a decrease of 1.12% in expenses.

### Governmental Activities

Revenues for governmental activities were \$3,731,992 and expenses were \$3,760,029.

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 |           |         |
|-------------------|------------------------|-----------|---------|----------------------|-----------|---------|
|                   | 2010                   | 2009      | Change  | 2010                 | 2009      | Change  |
|                   |                        |           | 2009-10 |                      |           | 2009-10 |
| Instruction       | \$ 2,409,050           | 2,343,500 | 2.80%   | 1,595,492            | 1,669,051 | -4.41%  |
| Support services  | 996,331                | 1,058,237 | -5.85%  | 992,324              | 1,057,849 | -6.19%  |
| Non-instructional | 150                    | 0         | 100.00% | 150                  | 0         | 100.00% |
| Other expenses    | 354,498                | 392,337   | -9.64%  | 217,716              | 272,468   | -20.09% |
| Totals            | \$ 3,760,029           | 3,794,074 | -0.90%  | 2,805,682            | 2,999,368 | -6.46%  |

- The cost financed by users of the District's programs was \$216,748.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$737,599.
- The net cost of governmental activities was financed with \$1,326,113 in local tax, \$224,851 in income surtax, \$208,646 in statewide sales, services and use tax, \$981,579 in unrestricted state grants, \$3,068 in interest income and \$35,888 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$142,583 and expenses were \$144,846. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$928,076, compared to last year's ending fund balances of \$994,097.

### 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 however did not exceed expenditure resulting in a \$109,486 decrease in the General Fund balance.

### Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$40,290 at June 30, 2009 to \$38,027 at June 30, 2010, representing a decrease of 5.62%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$993,550 less than budgeted revenues, a variance of 20.62%. The most significant variance resulted from the District receiving less in federal 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, 2010, the District had invested \$1.09 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 \$204,836.

The original cost of the District's capital assets was \$4,489,835. Governmental funds account for \$4,418,868 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 land improvements category. The District's improvements other than buildings totaled \$70,784 at June 30, 2009 compared to \$93,487 at June 30, 2010. This increase is due to the purchase of a chain-link fence and scoreboards during fiscal 2010.

Figure A-6  
Capital Assets, Net of Depreciation

|                         | Governmental |           | Business Type |          | Total           |           | Total    |
|-------------------------|--------------|-----------|---------------|----------|-----------------|-----------|----------|
|                         | Activities   |           | Activities    |          | School District |           | Change   |
|                         | June 30,     | June 30,  | June 30,      | June 30, | June 30,        | June 30,  | June 30, |
|                         | 2010         | 2009      | 2010          | 2009     | 2010            | 2009      | 2009-10  |
| Land                    | \$ 23,205    | 23,205    | 0             | 0        | 23,205          | 23,205    | 0.00%    |
| Buildings               | 596,891      | 730,959   | 0             | 0        | 596,891         | 730,959   | -18.34%  |
| Land improvements       | 93,487       | 70,784    | 0             | 0        | 93,487          | 70,784    | 32.07%   |
| Machinery and equipment | 346,923      | 381,541   | 31,121        | 35,639   | 378,044         | 417,180   | -9.38%   |
| Total                   | \$ 1,060,506 | 1,206,489 | 31,121        | 35,639   | 1,091,627       | 1,242,128 | -12.12%  |

### Long-Term Debt

At June 30, 2010, the District had \$1,036,938 in general obligation and other long-term debt outstanding. This represents a decrease of 11.41% 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 \$1,005,000 at June 30, 2010.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$1,615, which is a decrease of 80.71% from the prior year.

The District also had compensated absences of \$7,323 at June 30, 2010.

The District had net OPEB liability payable of \$23,000 at June 30, 2010

Figure A-7  
Outstanding Long-Term Obligations

|                          | Total               |                  | Total          |
|--------------------------|---------------------|------------------|----------------|
|                          | School District     |                  | Change         |
|                          | June 30,            |                  | June 30,       |
|                          | 2010                | 2009             | 2009-10        |
| General obligation bonds | \$ 1,005,000        | 1,155,000        | -12.99%        |
| Early retirement         | 1,615               | 8,373            | -80.71%        |
| Compensated absences     | 7,323               | 7,182            | 1.96%          |
| Net OPEB liability       | 23,000              | 0                | 100.00%        |
| Totals                   | <u>\$ 1,036,938</u> | <u>1,170,555</u> | <u>-11.41%</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/Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

|   | Governmental<br>Activities | Business type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
| <b>Assets</b>                                   |                            |                             |                  |
| Cash and pooled investments                     | \$ 830,099                 | 2,486                       | 832,585          |
| Receivables:                                    |                            |                             |                  |
| Property tax:                                   |                            |                             |                  |
| Delinquent                                      | 24,140                     | 0                           | 24,140           |
| Succeeding year                                 | 1,502,125                  | 0                           | 1,502,125        |
| Income surtax                                   | 194,117                    | 0                           | 194,117          |
| Due from other governments                      | 187,066                    | 0                           | 187,066          |
| Inventories                                     | 0                          | 5,529                       | 5,529            |
| Capital assets, net of accumulated depreciation | 1,060,506                  | 31,121                      | 1,091,627        |
| <b>Total Assets</b>                             | <b>3,798,053</b>           | <b>39,136</b>               | <b>3,837,189</b> |
| <b>Liabilities</b>                              |                            |                             |                  |
| Accounts payable                                | 84,102                     | 0                           | 84,102           |
| Accrued interest payable                        | 2,958                      | 0                           | 2,958            |
| Deferred revenue:                               |                            |                             |                  |
| Succeeding year property tax                    | 1,502,125                  | 0                           | 1,502,125        |
| Other   | 29,127                     | 0                           | 29,127           |
| Unearned revenues                               | 0                          | 519                         | 519              |
| Long-term liabilities:                          |                            |                             |                  |
| Portion due within one year:                    |                            |                             |                  |
| General obligation bonds payable                | 155,000                    | 0                           | 155,000          |
| Early retirement payable                        | 1,615                      | 0                           | 1,615            |
| Compensated absences payable                    | 7,323                      | 0                           | 7,323            |
| Portion due after one year:                     |                            |                             |                  |
| General obligation bonds payable                | 850,000                    | 0                           | 850,000          |
| Net OPEB liability                              | 22,410                     | 590                         | 23,000           |
| <b>Total Liabilities</b>                        | <b>2,654,660</b>           | <b>1,109</b>                | <b>2,655,769</b> |
| <b>Net Assets</b>                               |                            |                             |                  |
| Invested in capital assets, net of related debt | 55,506                     | 31,121                      | 86,627           |
| Restricted for:                                 |                            |                             |                  |
| Categorical funding                             | 69,790                     | 0                           | 69,790           |
| Capital projects                                | 180,276                    | 0                           | 180,276          |
| Debt service                                    | 20,020                     | 0                           | 20,020           |
| Management levy                                 | 207,253                    | 0                           | 207,253          |
| Physical plant and equipment levy               | 124,808                    | 0                           | 124,808          |
| Other special revenue purposes                  | 76,308                     | 0                           | 76,308           |
| Unrestricted                                    | 409,432                    | 6,906                       | 416,338          |
| <b>Total Net Assets</b>                         | <b>\$ 1,143,393</b>        | <b>38,027</b>               | <b>1,181,420</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
JUNE 30, 2010

|  | Program Revenues           |  |  |                            | Net (Expense) Revenue<br>and Changes in Net Assets |                  | Total              |
|--|----------------------------|--|--|----------------------------|--|------------------|--------------------|
|  | Charges<br>for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities | Business Type<br>Activities                        |                  |                    |
| <b>Functions/Programs:</b>             |                            |  |  |                            |  |                  |                    |
| Governmental activities:               |                            |  |  |                            |  |                  |                    |
| Instruction:                           |                            |  |  |                            |  |                  |                    |
| Regular                                | \$ 1,379,326               | 90,279   | 532,372  | 0                          | (756,675)  | 0                | (756,675)          |
| Special                                | 409,269                    | 0  | 16,595   | 0                          | (392,674)  | 0                | (392,674)          |
| Other                                  | 620,455                    | 126,469  | 47,843   | 0                          | (446,143)  | 0                | (446,143)          |
|  | <u>2,409,050</u>           | <u>216,748</u>   | <u>596,810</u>   | <u>0</u>                   | <u>(1,595,492)</u>                                 | <u>0</u>         | <u>(1,595,492)</u> |
| Support services:                      |                            |  |  |                            |  |                  |                    |
| Student                                | 5,138                      | 0  | 0  | 0                          | (5,138)  | 0                | (5,138)            |
| Instructional staff                    | 48,103                     | 0  | 0  | 0                          | (48,103)   | 0                | (48,103)           |
| Administration                         | 305,848                    | 0  | 0  | 0                          | (305,848)  | 0                | (305,848)          |
| Operation and maintenance<br>of plant  | 378,134                    | 0  | 0  | 0                          | (378,134)  | 0                | (378,134)          |
| Transportation                         | 259,108                    | 0  | 4,007  | 0                          | (255,101)  | 0                | (255,101)          |
|  | <u>996,331</u>             | <u>0</u>   | <u>4,007</u>   | <u>0</u>                   | <u>(992,324)</u>                                   | <u>0</u>         | <u>(992,324)</u>   |
| Non-instructional programs:            |                            |  |  |                            |  |                  |                    |
| Community service operations           | 150                        | 0  | 0  | 0                          | (150)  | 0                | (150)              |
| Other expenditures:                    |                            |  |  |                            |  |                  |                    |
| Facilities acquisitions                | 46,350                     | 0  | 0  | 9,785                      | (36,565)   | 0                | (36,565)           |
| Long-term debt interest                | 40,015                     | 0  | 0  | 0                          | (40,015)   | 0                | (40,015)           |
| AEA flowthrough                        | 126,997                    | 0  | 126,997  | 0                          | 0  | 0                | 0                  |
| Depreciation(unallocated)*             | 141,136                    | 0  | 0  | 0                          | (141,136)  | 0                | (141,136)          |
|  | <u>354,498</u>             | <u>0</u>   | <u>126,997</u>   | <u>9,785</u>               | <u>(217,716)</u>                                   | <u>0</u>         | <u>(217,716)</u>   |
| Total governmental activities          | 3,760,029                  | 216,748  | 727,814  | 9,785                      | (2,805,682)  | 0                | (2,805,682)        |
| Business Type activities:              |                            |  |  |                            |  |                  |                    |
| Support services:                      |                            |  |  |                            |  |                  |                    |
| Administration                         | 7,154                      | 0  | 0  | 0                          | 0  | (7,154)          | (7,154)            |
| Non-instructional programs:            |                            |  |  |                            |  |                  |                    |
| Nutrition services                     | 137,692                    | 65,338   | 74,665   | 0                          | 0  | 2,311            | 2,311              |
| Total business type activities         | 144,846                    | 65,338   | 74,665   | 0                          | 0  | (4,843)          | (4,843)            |
| Total                                  | \$ 3,904,875               | 282,086  | 802,479  | 9,785                      | (2,805,682)  | (4,843)          | (2,810,525)        |
| <b>General Revenues and Transfers:</b> |                            |  |  |                            |  |                  |                    |
| General Revenues:                      |                            |  |  |                            |  |                  |                    |
| Local tax for:                         |                            |  |  |                            |  |                  |                    |
| General purposes                       |                            |  |  | \$ 1,237,570               | 0  | 1,237,570        |                    |
| Capital outlay                         |                            |  |  | 48,056                     | 0  | 48,056           |                    |
| Debt service                           |                            |  |  | 40,487                     | 0  | 40,487           |                    |
| Income surtax                          |                            |  |  | 224,851                    | 0  | 224,851          |                    |
| Statewide sales and services tax       |                            |  |  | 208,646                    | 0  | 208,646          |                    |
| Unrestricted state grants              |                            |  |  | 981,579                    | 0  | 981,579          |                    |
| Unrestricted investment earnings       |                            |  |  | 3,068                      | 6  | 3,074            |                    |
| Other                                  |                            |  |  | 35,888                     | 74   | 35,962           |                    |
| Transfers                              |                            |  |  | (2,500)                    | 2,500  | 0                |                    |
| Total general revenues and transfers   |                            |  |  | <u>2,777,645</u>           | <u>2,580</u>                                       | <u>2,780,225</u> |                    |
| Changes in net assets                  |                            |  |  | (28,037)                   | (2,263)  | (30,300)         |                    |
| Net assets beginning of year           |                            |  |  | <u>1,171,430</u>           | <u>40,290</u>                                      | <u>1,211,720</u> |                    |
| Net assets end of year                 |                            |  |  | <u>\$ 1,143,393</u>        | <u>38,027</u>                                      | <u>1,181,420</u> |                    |

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

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

|  | Nonmajor<br>Governmental |                | Total            |
|--|--------------------------|----------------|------------------|
|  | General                  | Funds          |                  |
| <b>Assets</b>                              |                          |                |                  |
| Cash and pooled investments                | \$ 356,183               | 473,916        | 830,099          |
| Receivables:                               |                          |                |                  |
| Property tax:                              |                          |                |                  |
| Delinquent                                 | 20,521                   | 3,619          | 24,140           |
| Succeeding year                            | 1,474,743                | 27,382         | 1,502,125        |
| Income surtax                              | 150,980                  | 43,137         | 194,117          |
| Interfund                                  | 0                        | 12,924         | 12,924           |
| Due from other governments                 | 67,245                   | 119,821        | 187,066          |
| <b>Total Assets</b>                        | <b>\$ 2,069,672</b>      | <b>680,799</b> | <b>2,750,471</b> |
| <b>Liabilities and Fund Balances</b>       |                          |                |                  |
| Liabilities:                               |                          |                |                  |
| Interfund payable                          | \$ 12,924                | 0              | 12,924           |
| Accounts payable                           | 84,102                   | 0              | 84,102           |
| Deferred revenue:                          |                          |                |                  |
| Succeeding year property tax               | 1,474,743                | 27,382         | 1,502,125        |
| Income surtax                              | 150,980                  | 43,137         | 194,117          |
| Other                                      | 29,127                   | 0              | 29,127           |
| Total liabilities                          | <u>1,751,876</u>         | <u>70,519</u>  | <u>1,822,395</u> |
| Fund balances:                             |                          |                |                  |
| Reserved for:                              |                          |                |                  |
| Categorical funding                        | 69,790                   | 0              | 69,790           |
| Debt service                               | 0                        | 20,020         | 20,020           |
| Unreserved                                 | 248,006                  | 590,260        | 838,266          |
| Total fund balances                        | <u>317,796</u>           | <u>610,280</u> | <u>928,076</u>   |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 2,069,672</b>      | <b>680,799</b> | <b>2,750,471</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010

|  |           |                         |
|--|-----------|-------------------------|
| <b>Total fund balances of governmental funds (page 20)</b>   | \$        | 928,076                 |
| <br><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 reported as assets in the governmental funds.   |           | 1,060,506               |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.   |           | 194,117                 |
| 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.   |           | (2,958)                 |
| Long-term liabilities, including general obligation bonds payable, compensated absences, early retirement payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. |           | <u>(1,036,348)</u>      |
| <b>Net assets of governmental activities (page 18)</b>   | <b>\$</b> | <b><u>1,143,393</u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2010

|  | General           | Other<br>Nonmajor<br>Governmental<br>Funds | Total            |
|--|-------------------|--|------------------|
| <b>REVENUES:</b>   |                   |  |                  |
| Local sources:   |                   |  |                  |
| Local tax  | \$ 1,255,981      | 454,244                                    | 1,710,225        |
| Tuition  | 55,460            | 0  | 55,460           |
| Other  | 64,822            | 145,207                                    | 210,029          |
| State sources  | 1,419,810         | 0  | 1,419,810        |
| Federal sources  | 289,583           | 0  | 289,583          |
| Total revenues   | <u>3,085,656</u>  | <u>599,451</u>                             | <u>3,685,107</u> |
| <b>EXPENDITURES:</b>   |                   |  |                  |
| Current:   |                   |  |                  |
| Instruction:   |                   |  |                  |
| Regular  | 1,311,470         | 48,015                                     | 1,359,485        |
| Special  | 406,540           | 0  | 406,540          |
| Other  | 487,427           | 132,227                                    | 619,654          |
|  | <u>2,205,437</u>  | <u>180,242</u>                             | <u>2,385,679</u> |
| Support services:  |                   |  |                  |
| Student  | 5,138             | 0  | 5,138            |
| Instructional staff  | 47,860            | 0  | 47,860           |
| Administration   | 300,081           | 0  | 300,081          |
| Operation and maintenance of plant                           | 290,433           | 84,669                                     | 375,102          |
| Transportation   | 216,546           | 24,564                                     | 241,110          |
|  | <u>860,058</u>    | <u>109,233</u>                             | <u>969,291</u>   |
| Non-instruction:   |                   |  |                  |
| Community service operations                                 | 150               | 0  | 150              |
| Other expenditures:  |                   |  |                  |
| Facilities acquisitions                                      | 0                 | 76,121                                     | 76,121           |
| Long-term debt:  |                   |  |                  |
| Principal  | 0                 | 150,000                                    | 150,000          |
| Interest and fiscal charges                                  | 0                 | 40,390                                     | 40,390           |
| AEA flowthrough  | 126,997           | 0  | 126,997          |
| Total expenditures   | <u>3,192,642</u>  | <u>555,986</u>                             | <u>3,748,628</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | (106,986)         | 43,465                                     | (63,521)         |
| Other financing sources (uses):                              |                   |  |                  |
| Transfer in  | 0                 | 150,000                                    | 150,000          |
| Transfer out   | (2,500)           | (150,000)                                  | (152,500)        |
| Total other financing sources (uses)                         | <u>(2,500)</u>    | <u>0</u>                                   | <u>(2,500)</u>   |
| Net change in fund balances                                  | (109,486)         | 43,465                                     | (66,021)         |
| Fund balance beginning of year                               | 427,282           | 566,815                                    | 994,097          |
| Fund balance end of year                                     | <u>\$ 317,796</u> | <u>610,280</u>                             | <u>928,076</u>   |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (66,021)

*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      | \$ 54,335        |           |
| Depreciation expense | <u>(200,318)</u> | (145,983) |

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 49,385

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     | \$ 6,758        |          |
| Compensated absences | (141)           |          |
| Net OPEB liability   | <u>(22,410)</u> | (15,793) |

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. 150,000

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.

375

Changes in net assets of governmental activities (page 19) \$ (28,037)

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2010

|  | <u>School<br/>Nutrition</u> |
|--|-----------------------------|
| <b>Assets</b>                                      |                             |
| Cash and pooled investments                        | \$ 2,486                    |
| Inventories  | 5,529                       |
| Capital assets, net of accumulated<br>depreciation | <u>31,121</u>               |
| <b>Total Assets</b>                                | <u>39,136</u>               |
| <b>Liabilities</b>                                 |                             |
| Unearned revenue                                   | 519                         |
| Net OPEB Liability                                 | <u>590</u>                  |
| <b>Total Liabilities</b>                           | <u>1,109</u>                |
| <b>Net Assets</b>                                  |                             |
| Invested in capital assets                         | 31,121                      |
| Unrestricted                                       | <u>6,906</u>                |
| <b>Total Net Assets</b>                            | <u>\$ 38,027</u>            |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

|                                     | School<br>Nutrition |
|-------------------------------------|---------------------|
| OPERATING REVENUE:                  |                     |
| Local sources:                      |                     |
| Charges for service                 | \$ 65,338           |
| Miscellaneous                       | 74                  |
| TOTAL OPERATING REVENUE             | 65,412              |
| OPERATING EXPENSES:                 |                     |
| Support services:                   |                     |
| Administration:                     |                     |
| Salaries                            | 4,688               |
| Benefits                            | 2,466               |
|                                     | 7,154               |
| Non-instructional programs:         |                     |
| Food service operations:            |                     |
| Salaries                            | 54,195              |
| Benefits                            | 14,418              |
| Services                            | 2,424               |
| Supplies                            | 62,137              |
| Depreciation                        | 4,518               |
|                                     | 137,692             |
| TOTAL OPERATING EXPENSES            | 144,846             |
| OPERATING LOSS                      | (79,434)            |
| NON-OPERATING REVENUES:             |                     |
| State sources                       | 1,405               |
| Federal sources                     | 73,260              |
| Interest income                     | 6                   |
| TOTAL NON-OPERATING REVENUES        | 74,671              |
| Loss before other financing sources | (4,763)             |
| Other financing sources:            |                     |
| Transfer in                         | 2,500               |
| Changes in net assets               | (2,263)             |
| Net assets beginning of year        | 40,290              |
| Net assets end of year              | \$ 38,027           |

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010

|   | School<br>Nutrition |
|---|---------------------|
| Cash flows from operating activities:   |                     |
| Cash received from sale of lunches and breakfasts                                 | \$ 64,110           |
| Cash received from miscellaneous operating activities                             | 74                  |
| Cash payments to employees for services   | (75,177)            |
| Cash payments to suppliers for goods or services                                  | (55,716)            |
| Net cash used in operating activities   | (66,709)            |
| Cash flows from non-capital financing activities:                                 |                     |
| State grants received   | 1,405               |
| Federal grants received   | 63,760              |
| Transfer from General Fund  | 2,500               |
| Net cash provided by non-capital financing activities                             | 67,665              |
| Cash flows from investing activities:   |                     |
| Interest on investment  | 6                   |
| Net increase in cash and cash equivalents   | 962                 |
| Cash and cash equivalents at beginning of year                                    | 1,524               |
| Cash and cash equivalents at end of year  | \$ 2,486            |
| Reconciliation of operating loss to net cash used in operating activities:        |                     |
| Operating loss  | \$ (79,434)         |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                     |
| Commodities consumed  | 9,500               |
| Depreciation  | 4,518               |
| Increase in inventories   | (655)               |
| Decrease in accounts receivable   | 46                  |
| Decrease in unearned revenue  | (1,274)             |
| Increase in other postemployment benefits   | 590                 |
| Net cash used in operating activities   | \$ (66,709)         |

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR

During the year ended June 30, 2010, the District received Federal commodities valued at \$9,500.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(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 District reports the following proprietary funds:

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

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

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in

the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net 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    |
| Intangibles                     | 25,000   |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 5,000    |

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

| Asset Class             | Estimated Useful Life (In Years) |
|-------------------------|----------------------------------|
| Buildings               | 20 years                         |
| Land improvements       | 20-50 years                      |
| Intangibles             | 5-10 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, 2010. 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, 2010 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$183,991 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) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

| Receivable Fund | Payable Fund                         | Amount    |
|-----------------|--------------------------------------|-----------|
| General         | Physical Plant<br>and Equipment Levy | \$ 12,924 |

**(4) Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

| Transfer to                    | Transfer from    | Amount            |
|--------------------------------|------------------|-------------------|
| Debt Service                   | Capital Projects | \$ 150,000        |
| Enterprise -<br>Nutrition Fund | General          | 2,500             |
|                                |                  | <u>\$ 152,500</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, 2010 is as follows:

|   | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities:                    |                                 |           |           |                           |
| Capital assets not being depreciated:       |                                 |           |           |                           |
| Land  | \$ 23,205                       | 0         | 0         | 23,205                    |
| Total capital assets not being depreciated  | 23,205                          | 0         | 0         | 23,205                    |
| Capital assets being depreciated:           |                                 |           |           |                           |
| Buildings                                   | 3,121,358                       | 0         | 0         | 3,121,358                 |
| Land improvements                           | 199,449                         | 29,771    | 0         | 229,220                   |
| Machinery and equipment                     | 1,020,521                       | 24,564    | 0         | 1,045,085                 |
| Total capital assets being depreciated      | 4,341,328                       | 54,335    | 0         | 4,395,663                 |
| Less accumulated depreciation for:          |                                 |           |           |                           |
| Buildings                                   | 2,390,399                       | 134,068   | 0         | 2,524,467                 |
| Land improvements                           | 128,665                         | 7,068     | 0         | 135,733                   |
| Machinery and equipment                     | 638,980                         | 59,182    | 0         | 698,162                   |
| Total accumulated depreciation              | 3,158,044                       | 200,318   | 0         | 3,358,362                 |
| Total capital assets being depreciated, net | 1,183,284                       | (145,983) | 0         | 1,037,301                 |
| Governmental activities capital assets, net | \$ 1,206,489                    | (145,983) | 0         | 1,060,506                 |

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Business type activities:                    |                                 |           |           |                           |
| Machinery and equipment                      | \$ 70,967                       | 0         | 0         | 70,967                    |
| Less accumulated depreciation                | 35,328                          | 4,518     | 0         | 39,846                    |
| Business type activities capital assets, net | \$ 35,639                       | (4,518)   | 0         | 31,121                    |

Depreciation expense was charged by the District as follows:

|  |                |
|--|----------------|
| Governmental activities:                           |                |
| Instruction:                                       |                |
| Regular  | \$ 14,047      |
| Support services:                                  |                |
| Administration                                     | 1520           |
| Operation and maintenance of plant                 | 1,433          |
| Transportation                                     | 42,182         |
|  | <u>59,182</u>  |
| Unallocated depreciation                           | 141,136        |
|  | <u>141,136</u> |
| Total governmental activities depreciation expense | \$ 200,318     |
|  | <u>200,318</u> |
| Business type activities:                          |                |
| Food services                                      | \$ 4,518       |
|  | <u>4,518</u>   |

#### (6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

|                           | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|---------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental activities:  |                                 |           |           |                           |                           |
| General obligation bonds  | \$ 1,155,000                    | 0         | 150,000   | 1,005,000                 | 155,000                   |
| Early retirement          | 8,373                           | 0         | 6,758     | 1,615                     | 1,615                     |
| Compensated absences      | 7,182                           | 7,323     | 7,182     | 7,323                     | 7,323                     |
| Net OPEB liability        | 0                               | 22,410    | 0         | 22,410                    | 0                         |
| Total                     | \$ 1,170,555                    | 29,733    | 163,940   | 1,036,348                 | 163,938                   |
|                           |                                 |           |           |                           |                           |
|                           |                                 |           |           |                           |                           |
| Business type activities: |                                 |           |           |                           |                           |
| Net OPEB liability        | \$ 0                            | 590       | 0         | 590                       | 0                         |

#### 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, 2010, totaled \$6,758. 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, 2010 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of August 1, 2003 |              |          |           |
|----------------------------|------------------------------|--------------|----------|-----------|
|                            | Interest<br>Rates            | Principal    | Interest | Total     |
| 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                   |                              | \$ 1,005,000 | 132,047  | 1,137,047 |

**(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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$128,071, \$126,003, and \$120,529 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 38 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

|  |                         |
|--|-------------------------|
| Annual required contribution               | \$ 32,000               |
| Interest on net OPEB obligation            | 0                       |
| Adjustment to annual required contribution | 0                       |
| Annual OPEB cost                           | <u>32,000</u>           |
| Contributions made                         | <u>(9,000)</u>          |
| Increase in net OPEB obligation            | 23,000                  |
| Net OPEB obligation beginning of year      | <u>0</u>                |
| Net OPEB obligation end of year            | <u><u>\$ 23,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------|------------------|--|---------------------|
| 6/30/2010  | \$ 32,000        | 28.13%                                     | \$ 23,000           |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$215,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$215,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,879,865, and the ratio of the UAAL to covered payroll was 11.44%. As of June 30, 2010 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far

into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan range from \$371.98 for single to \$1005.40 for retiree & spouse under Plan \$100 deductible, \$337.12 for single to \$911.16 for retiree & spouse under Plan \$500 deductible, \$316.44 for single to \$855.28 for retiree & spouse under Plan \$750 deductible for retirees less than age 65. Upon retirement, the retired participant is assumed to pay 100% of the required premium.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$126,997 for

the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

| <u>Project</u>                | <u>Amount</u>    |
|-------------------------------|------------------|
| Statewide voluntary preschool | \$ 9,826         |
| Talented and gifted           | 42               |
| Dropout prevention program    | 25,941           |
| Beginning teacher mentoring   | 2,456            |
| Salary improvement program    | 16,961           |
| Model core curriculum         | 1,249            |
| Professional development      | 13,192           |
| Market factor incentives      | 123              |
| Total                         | <u>\$ 69,790</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, 2010

|  | Governmental      | Proprietary    | Total<br>Actual  | Budgeted Amounts |                  | Final to         |
|--|-------------------|----------------|------------------|------------------|------------------|------------------|
|  | Funds             | Funds          |                  | Original         | Final            | Actual           |
|  | Actual            | Actual         |                  |                  |                  | Variance         |
| <b>Revenues:</b>   |                   |                |                  |                  |                  |                  |
| Local sources  | \$ 1,975,714      | 65,418         | 2,041,132        | 2,140,504        | 2,140,504        | (99,372)         |
| State sources  | 1,419,810         | 1,405          | 1,421,215        | 1,718,236        | 1,718,236        | (297,021)        |
| Federal sources  | 289,583           | 73,260         | 362,843          | 960,000          | 960,000          | (597,157)        |
| Total revenues   | <u>3,685,107</u>  | <u>140,083</u> | <u>3,825,190</u> | <u>4,818,740</u> | <u>4,818,740</u> | <u>(993,550)</u> |
| <b>Expenditures/Expenses:</b>  |                   |                |                  |                  |                  |                  |
| Instruction  | 2,385,679         | 0              | 2,385,679        | 2,878,585        | 2,878,585        | 492,906          |
| Support services   | 969,291           | 7,154          | 976,445          | 2,154,061        | 2,154,061        | 1,177,616        |
| Non-instructional programs   | 150               | 137,692        | 137,842          | 327,939          | 327,939          | 190,097          |
| Other expenditures   | 393,508           | 0              | 393,508          | 594,725          | 594,725          | 201,217          |
| Total expenditures/expenses  | <u>3,748,628</u>  | <u>144,846</u> | <u>3,893,474</u> | <u>5,955,310</u> | <u>5,955,310</u> | <u>2,061,836</u> |
| Deficiency of revenues<br>under expenditures/expenses                                      | (63,521)          | (4,763)        | (68,284)         | (1,136,570)      | (1,136,570)      | 1,068,286        |
| Other financing sources(uses), net   | (2,500)           | 2,500          | 0                | 0                | 0                | 0                |
| Deficiency of revenues and<br>other financing sources(uses)<br>under expenditures/expenses | (66,021)          | (2,263)        | (68,284)         | (1,136,570)      | (1,136,570)      | 1,068,286        |
| Balance beginning of year  | 994,097           | 40,290         | 1,034,387        | 1,190,485        | 1,190,485        | (156,098)        |
| Balance end of year  | <u>\$ 928,076</u> | <u>38,027</u>  | <u>966,103</u>   | <u>53,915</u>    | <u>53,915</u>    | <u>912,188</u>   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2010

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>( c ) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|-----------------------------|---|
| 2010                      | July 1, 2009                   | \$ 0                                   | \$ 215,000  | \$ 215,000                         | 0.00%                    | \$ 1,879,865                | 11.44%  |

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

OTHER SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

|  | Special Revenue Funds   |                     |                                   |                             |                     |                 | Total          |
|--|-------------------------|---------------------|-----------------------------------|-----------------------------|---------------------|-----------------|----------------|
|  | Manage-<br>ment<br>Levy | Student<br>Activity | Physical                          | Total<br>Special<br>Revenue | Capital<br>Projects | Debt<br>Service | Other          |
| Plant and<br>Equipment<br>Levy             |                         |                     | Nonmajor<br>Governmental<br>Funds |                             |                     |                 |                |
| <b>Assets</b>                              |                         |                     |                                   |                             |                     |                 |                |
| Cash and pooled investments                | \$ 206,861              | 76,308              | 111,009                           | 394,178                     | 60,455              | 19,283          | 473,916        |
| Receivables:                               |                         |                     |                                   |                             |                     |                 |                |
| Property tax:                              |                         |                     |                                   |                             |                     |                 |                |
| Delinquent                                 | 2,007                   | 0                   | 875                               | 2,882                       | 0                   | 737             | 3,619          |
| Succeeding year                            | 10,000                  | 0                   | 17,382                            | 27,382                      | 0                   | 0               | 27,382         |
| Income surtax                              | 0                       | 0                   | 43,137                            | 43,137                      | 0                   | 0               | 43,137         |
| Interfund                                  | 0                       | 0                   | 12,924                            | 12,924                      | 0                   | 0               | 12,924         |
| Due from other governments                 | 0                       | 0                   | 0                                 | 0                           | 119,821             | 0               | 119,821        |
| <b>Total Assets</b>                        | <b>\$ 218,868</b>       | <b>76,308</b>       | <b>185,327</b>                    | <b>480,503</b>              | <b>180,276</b>      | <b>20,020</b>   | <b>680,799</b> |
| <b>Liabilities and Fund Balances</b>       |                         |                     |                                   |                             |                     |                 |                |
| Liabilities:                               |                         |                     |                                   |                             |                     |                 |                |
| Deferred revenue:                          |                         |                     |                                   |                             |                     |                 |                |
| Succeeding year property tax               | \$ 10,000               | 0                   | 17,382                            | 27,382                      | 0                   | 0               | 27,382         |
| Income surtax                              | 0                       | 0                   | 43,137                            | 43,137                      | 0                   | 0               | 43,137         |
| Total liabilities                          | 10,000                  | 0                   | 60,519                            | 70,519                      | 0                   | 0               | 70,519         |
| Fund balances:                             |                         |                     |                                   |                             |                     |                 |                |
| Reserved:                                  |                         |                     |                                   |                             |                     |                 |                |
| Debt service                               | 0                       | 0                   | 0                                 | 0                           | 0                   | 20,020          | 20,020         |
| Unreserved                                 | 208,868                 | 76,308              | 124,808                           | 409,984                     | 180,276             | 0               | 590,260        |
| Total fund balances                        | 208,868                 | 76,308              | 124,808                           | 409,984                     | 180,276             | 20,020          | 610,280        |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 218,868</b>       | <b>76,308</b>       | <b>185,327</b>                    | <b>480,503</b>              | <b>180,276</b>      | <b>20,020</b>   | <b>680,799</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, 2010

|   | Special Revenue Funds |                  |                                   |                             |                  |              | Total                             |
|---|-----------------------|------------------|-----------------------------------|-----------------------------|------------------|--------------|-----------------------------------|
|   | Management Levy       | Student Activity | Physical Plant and Equipment Levy | Total Special Revenue Funds | Capital Projects | Debt Service | Other Nonmajor Governmental Funds |
| REVENUES:   |                       |                  |                                   |                             |                  |              |                                   |
| Local sources:  |                       |                  |                                   |                             |                  |              |                                   |
| Local tax   | \$ 110,264            | 0                | 94,847                            | 205,111                     | 208,646          | 40,487       | 454,244                           |
| Other   | 8,414                 | 126,469          | 10,220                            | 145,103                     | 0                | 104          | 145,207                           |
| TOTAL REVENUES  | 118,678               | 126,469          | 105,067                           | 350,214                     | 208,646          | 40,591       | 599,451                           |
| EXPENDITURES:   |                       |                  |                                   |                             |                  |              |                                   |
| Current:  |                       |                  |                                   |                             |                  |              |                                   |
| Instruction:  |                       |                  |                                   |                             |                  |              |                                   |
| Regular   | 6,782                 | 0                | 41,233                            | 48,015                      | 0                | 0            | 48,015                            |
| Other   | 0                     | 132,227          | 0                                 | 132,227                     | 0                | 0            | 132,227                           |
| Support services:                                       |                       |                  |                                   |                             |                  |              |                                   |
| Operation and maintenance of plant                      | 84,669                | 0                | 0                                 | 84,669                      | 0                | 0            | 84,669                            |
| Transportation  | 0                     | 0                | 24,564                            | 24,564                      | 0                | 0            | 24,564                            |
| Other expenditures:                                     |                       |                  |                                   |                             |                  |              |                                   |
| Facilities acquisitions                                 | 0                     | 0                | 62,715                            | 62,715                      | 13,406           | 0            | 76,121                            |
| Long-term debt:   |                       |                  |                                   |                             |                  |              |                                   |
| Principal   | 0                     | 0                | 0                                 | 0                           | 0                | 150,000      | 150,000                           |
| Interest  | 0                     | 0                | 0                                 | 0                           | 0                | 40,390       | 40,390                            |
| TOTAL EXPENDITURES                                      | 91,451                | 132,227          | 128,512                           | 352,190                     | 13,406           | 190,390      | 555,986                           |
| Excess(deficiency) of revenues over(under) expenditures | 27,227                | (5,758)          | (23,445)                          | (1,976)                     | 195,240          | (149,799)    | 43,465                            |
| OTHER FINANCING SOURCES(USES):                          |                       |                  |                                   |                             |                  |              |                                   |
| Transfer in   | 0                     | 0                | 0                                 | 0                           | 0                | 150,000      | 150,000                           |
| Transfer out  | 0                     | 0                | 0                                 | 0                           | (150,000)        | 0            | (150,000)                         |
| TOTAL OTHER FINANCING SOURCES(USES)                     | 0                     | 0                | 0                                 | 0                           | (150,000)        | 150,000      | 0                                 |
| Net change in fund balances                             | 27,227                | (5,758)          | (23,445)                          | (1,976)                     | 45,240           | 201          | 43,465                            |
| FUND BALANCES BEGINNING OF YEAR                         | 181,641               | 82,066           | 148,253                           | 411,960                     | 135,036          | 19,819       | 566,815                           |
| FUND BALANCES END OF YEAR                               | \$ 208,868            | 76,308           | 124,808                           | 409,984                     | 180,276          | 20,020       | 610,280                           |

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, 2010

| Account                            | Balance<br>Beginning<br>of Year | Revenues    | Expendi-<br>tures | Balance<br>Change | Balance<br>End<br>of Year |
|------------------------------------|---------------------------------|-------------|-------------------|-------------------|---------------------------|
| Drama                              | \$ 1,633                        | 5,163       | 2,438             | (26)              | 4,332                     |
| Inst/vocal trip                    | 5,507                           | 365         | 1,512             | 0                 | 4,360                     |
| High school vocal fund             | 524                             | 0           | 270               | 0                 | 254                       |
| Future business leaders of America | 604                             | 0           | 0                 | 0                 | 604                       |
| Welcome baby                       | 538                             | 0           | 0                 | (538)             | 0                         |
| Athletic resale                    | 742                             | 14,107      | 9,174             | (5,000)           | 675                       |
| Athletic non resale                | (7,863)                         | 25,653      | 31,625            | 16,122            | 2,287                     |
| Athletic gate receipts             | 8,772                           | 5,965       | 6,455             | (3,700)           | 4,582                     |
| P.C. fund                          | 2,547                           | 1,350       | 0                 | (3,536)           | 361                       |
| Wrestling                          | 198                             | 0           | 0                 | (198)             | 0                         |
| Student interest                   | 1,696                           | 142         | 259               | (500)             | 1,079                     |
| Student petty cash                 | 25                              | 0           | 0                 | 0                 | 25                        |
| Miscellaneous student resale       | 736                             | 0           | 0                 | (736)             | 0                         |
| Home ec resale                     | 642                             | 0           | 0                 | 0                 | 642                       |
| Character counts                   | 552                             | 0           | 0                 | (552)             | 0                         |
| Student council                    | 2,602                           | 3,155       | 3,296             | 0                 | 2,461                     |
| TAG                                | 1,250                           | 0           | 0                 | 0                 | 1,250                     |
| Cheerleading                       | 1,708                           | 2,007       | 3,114             | 338               | 939                       |
| Dance squad                        | 740                             | 166         | 893               | 70                | 83                        |
| National honor society             | 1,399                           | 2,313       | 2,458             | 246               | 1,500                     |
| Spanish club                       | 1,568                           | 0           | 0                 | 0                 | 1,568                     |
| Athletics candy fundraiser         | 939                             | 0           | 0                 | (939)             | 0                         |
| JH miscellaneous                   | 1,743                           | 154         | 36                | 0                 | 1,861                     |
| Annual 2008-09                     | 4,498                           | 0           | 3,480             | 0                 | 1,018                     |
| Class of 2010                      | 4,371                           | 16,309      | 20,249            | 26                | 457                       |
| Class of 2011                      | 2,926                           | 9,163       | 6,121             | 35                | 6,003                     |
| Class of 2012                      | 337                             | 1,759       | 246               | 71                | 1,921                     |
| Class of 2013                      | 411                             | 0           | 171               | 0                 | 240                       |
| Trojan annual                      | 2,778                           | 11,243      | 9,106             | 0                 | 4,915                     |
| FFA                                | 14,966                          | 14,762      | 15,464            | 35                | 14,299                    |
| Horticulture                       | 4,410                           | 876         | 2,086             | 0                 | 3,200                     |
| Instrument resale                  | 1,993                           | 2,503       | 1,616             | 0                 | 2,880                     |
| Vo Ag resale                       | 644                             | 0           | 14                | 0                 | 630                       |
| Shop glasses                       | 621                             | 0           | 0                 | (621)             | 0                         |
| Elementary wrestling               | 4,986                           | 1,454       | 2,274             | 0                 | 4,166                     |
| Elementary fund raisers            | 10,323                          | 7,860       | 9,870             | (597)             | 7,716                     |
| <br>Total                          | <br>\$ 82,066                   | <br>126,469 | <br>132,227       | <br>0             | <br>76,308                |

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 SEVEN YEARS

|                                    | Modified Accrual Basis |                  |                  |                  |                  |                  |                  |
|------------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | Years Ended June 30    |                  |                  |                  |                  |                  |                  |
|                                    | 2010                   | 2009             | 2008             | 2007             | 2006             | 2005             | 2004             |
| Revenues:                          |                        |                  |                  |                  |                  |                  |                  |
| Local sources:                     |                        |                  |                  |                  |                  |                  |                  |
| Local tax                          | \$ 1,710,225           | 1,589,720        | 1,480,082        | 1,558,501        | 1,505,041        | 1,500,142        | 1,301,036        |
| Tuition                            | 55,460                 | 45,330           | 99,472           | 71,744           | 97,048           | 83,664           | 82,026           |
| Other                              | 210,029                | 239,005          | 235,323          | 292,229          | 271,836          | 237,375          | 374,256          |
| State sources                      | 1,419,810              | 1,757,254        | 1,685,116        | 1,579,975        | 1,602,663        | 1,464,820        | 1,389,719        |
| Federal sources                    | 289,583                | 139,586          | 122,882          | 126,530          | 133,778          | 106,165          | 146,322          |
| Total                              | <u>\$ 3,685,107</u>    | <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                            | \$ 1,359,485           | 1,358,594        | 1,378,382        | 1,273,126        | 1,159,799        | 1,263,162        | 1,187,384        |
| Special                            | 406,540                | 404,524          | 489,216          | 485,136          | 491,618          | 411,429          | 466,193          |
| Other                              | 619,654                | 584,454          | 368,264          | 378,135          | 340,554          | 392,457          | 366,542          |
| Support services:                  |                        |                  |                  |                  |                  |                  |                  |
| Student                            | 5,138                  | 1,754            | 18,750           | 31,031           | 57,696           | 55,533           | 53,985           |
| Instructional staff                | 47,860                 | 49,453           | 57,315           | 62,312           | 65,420           | 25,097           | 21,535           |
| Administration                     | 300,081                | 368,835          | 383,751          | 323,994          | 335,427          | 380,622          | 364,691          |
| Operation and maintenance of plant | 375,102                | 358,536          | 364,777          | 330,843          | 316,066          | 294,170          | 271,571          |
| Transportation                     | 241,110                | 234,187          | 219,808          | 272,527          | 200,568          | 228,497          | 211,904          |
| Non-instructional programs         | 150                    | 0                | 7,608            | 19,554           | 20,641           | 32,054           | 23,742           |
| Other expenditures:                |                        |                  |                  |                  |                  |                  |                  |
| Facilities acquisition             | 76,121                 | 217,403          | 190,462          | 157,535          | 92,957           | 54,543           | 56,246           |
| Long-term debt:                    |                        |                  |                  |                  |                  |                  |                  |
| Principal                          | 150,000                | 145,000          | 140,000          | 135,000          | 130,000          | 125,000          | 130,000          |
| Interest                           | 40,390                 | 44,392           | 50,563           | 55,743           | 59,867           | 65,268           | 61,134           |
| AEA flowthrough                    | 126,997                | 119,869          | 114,659          | 110,869          | 106,737          | 106,686          | 108,892          |
| Total                              | <u>\$ 3,748,628</u>    | <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.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

Independent Auditor's Report 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Finding as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Finding as items I-B-10, I-C-10, and I-D-10 to be significant deficiencies.

## 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, 2010 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, and 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.

March 23, 2011

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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-10 District Post Prom Account - We noted during our audit, that the District's Post Prom uses the District's Federal Identification Number.

Recommendation - The District should contact officials of the Post Prom and request they no longer use the District's Federal Identification Number. The Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - The District has contacted the bank and the Post Prom no longer uses the District's Federal Identification Number.

Conclusion - Response accepted.

I-C-10 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 co-curricular program defined in Department of Education administrative rules (298A.8). More specific examples of these instances of questioned items and recommendations are as follows:

**Interest Allocation:** 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.

Recommendation: The interest earned each year should be allocated out at on an annual basis to individual activity accounts.

Response - Interest will be allocated on an annual basis.

Conclusion - Response accepted.

**Administratively Maintained Accounts**: The Elementary Fundraisers 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 P.C. fund account. The revenues appear to be from vending machines. This account should be closed annually.

Recommendation: The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular 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

Response - The District will review the propriety of receipts and expenditures that are recorded.

Conclusion - Response accepted.

**Donations/Commissions**: Donations made to the District should be placed in the most appropriate place based upon donor request. 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 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.

Response - Target donations and Lifetouch commissions will be receipted to the General Fund.

Conclusion - Response accepted.

I-D-10 Expense coding - We noted during our audit that expenditures from the Student Activity fund for the Senior Class trip were coded to the Iowa Public Employee Retirement System expense account.

Recommendation - The District should review bills, to ensure that all bills paid are coded to the correct expense account. The proper coding also allows the district to maintain accountability for the activity account to match revenues and expenses.

Response - The District will review bills paid monthly to ensure they are coded to the correct expense account.

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.

II-B-10 Questionable Disbursements - We noted that gift cards were purchased by the FFA. Giving cash or gift certificates/cards to students do not appear to meet 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 - The District will review current procedures and amend their budget if needed.

Conclusion - Response accepted.

II-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and<br>Business Connection                          | Transaction<br>Description | Amount   |
|---|----------------------------|----------|
| Jody Schroeder, Board Member<br>Spouse owns Schroeder's Service | Vehicle supplies           | \$96     |
| Bardette Ogden, Board Member<br>Spouse owns Ogden Oil Company   | Fuel                       | \$42,574 |

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouses of Jody Schroeder and Bardette Ogden do not appear to represent a conflict of interest.

II-E-10 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-10 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. We also noted that the Board President and Board Secretary are not signing Board Minutes.

Recommendation - The District should publish the minutes within two weeks of the Board meeting as required by 279.35 of the Code of Iowa. The District should also have the Board President and Board Secretary sign all minutes.

Response – In the future the District will ensure that all minutes are published within two weeks of the meeting date.

Conclusion - Response accepted.

II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-10 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-10 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District will ensure that the Certified Annual Report is filed in a timely manner in the future.

Conclusion - Response accepted.

II-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.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, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

|   |    |                |                      |
|---|----|----------------|----------------------|
| Beginning balance                             |    | \$             | 0                    |
| Statewide sales, services and use tax revenue |    |                | 208,646              |
| Expenditures/transfers out:                   |    |                |                      |
| School infrastructure:                        |    |                |                      |
| Other improvements                            | \$ | 13,406         |                      |
| Debt service for school infrastructure:       |    |                |                      |
| General obligation debt                       |    | <u>150,000</u> | <u>163,406</u>       |
| Ending balance                                |    | \$             | <u><u>45,240</u></u> |

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced the following levy:

|                   | <u>Per \$1,000<br/>of Taxable<br/>Valuation</u> | <u>Property Tax<br/>Dollars</u> |
|-------------------|---|---------------------------------|
| Debt service levy | \$ <u>1.64695</u>                               | \$ <u>150,000</u>               |

II-M-10 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - All officiating contracts will be signed by the Board President.

Conclusion - Response accepted.