

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
Twin Rivers 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 Twin Rivers Community School District, Bode, 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 Twin Rivers 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 May 6, 2011, on our consideration of Twin Rivers 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 4 through 13 and 40 through 42 are not required 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 Twin Rivers 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 unqualified opinions 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Rivers 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 decreased from \$2,719,585 in fiscal 2009 to \$2,704,273 in fiscal 2010, while General Fund expenditures decreased from \$2,435,576 in fiscal 2009 to \$2,170,759 in fiscal 2010. The District's General Fund balance increased from \$282,375 in fiscal 2009 to \$801,809 in fiscal 2010.
- The decrease in General Fund revenues was attributable to a decrease in local, state and federal revenue in fiscal 2010. Local property taxes were reduced \$2.59 per \$1000 assessed valuation for 2010. Many salary and staff reductions have attributed to the cost savings over prior years. One reason the General Fund balance increased is because the negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2010. Salaries for all staff were frozen for 2009-10.
- The district budgeted for \$125,000 less cash reserve which decreased the general fund revenues.
- The effect of declining enrollment has placed a serious restriction on what could be generated for General Fund purposes.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Twin Rivers Community School District Annual Financial Report

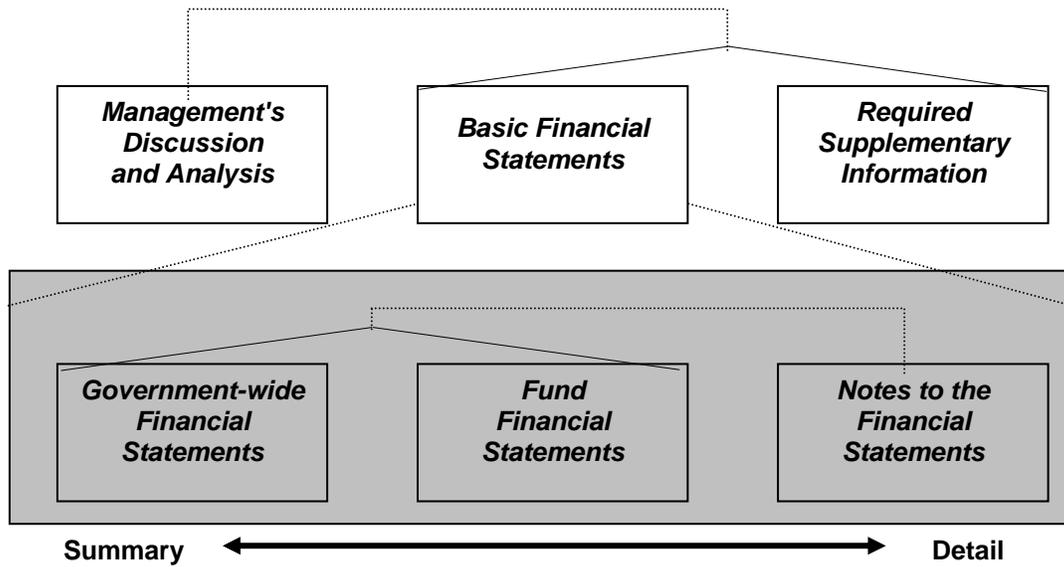


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund and Special Revenue Funds, that consist of Activity, Management, and Physical Plant and Equipment Levy Funds.

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,573,801	2,685,861	(49,831)	(70,046)	2,523,970	2,615,815	4%
Capital assets	448,139	509,446	17,611	18,123	465,750	527,569	13%
Total assets	3,021,940	3,195,307	(32,220)	(51,923)	2,989,720	3,143,384	5%
Long-term liabilities	78,215	173,315	-	-	78,215	173,315	122%
Other liabilities	1,787,125	1,375,358	1,976	804	1,789,101	1,376,162	-23%
Total liabilities	1,865,340	1,548,673	1,976	804	1,867,316	1,549,477	-17%
Net Assets:							
Invested in capital assets, net of related debt	372,556	384,131	17,611	18,123	390,167	402,254	3%
Restricted	389,697	361,962	-	-	389,697	361,962	-7%
Unrestricted	394,347	900,541	(51,807)	(70,850)	342,540	829,691	142%
TOTAL NET ASSETS	1,156,600	1,646,634	(34,196)	(52,727)	1,122,404	1,593,907	42%

The District's combined net assets increased by nearly 42%, or approximately \$471,503, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 decreased approximately \$27,735 or 7% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$487,151, or 142%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	460,130	387,874	87,902	79,862	548,032	467,736	-14%
Operating grants & contributions	345,278	465,478	56,441	52,305	401,719	517,783	29%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,366,237	1,383,302	-	-	1,366,237	1,383,302	1%
Income Surtax	158,374	184,324	-	-	158,374	184,324	16%
Statewide sales and services tax	146,384	129,637	-	-	146,384	129,637	-11%
Unrestricted state grants	529,863	397,433	-	-	529,863	397,433	-25%
Unrestricted investment earnings	25,633	15,786	98	84	25,731	15,870	-38%
Other revenue	18,125	20,298	-	-	18,125	20,298	12%
Total Revenues	3,050,024	2,984,132	144,441	132,251	3,194,465	3,116,383	-2%
Expenses:							
Instruction	1,710,134	1,623,672	-	-	1,710,134	1,623,672	-5%
Support services	789,869	675,438	-	-	789,869	675,438	-14%
Non-instructional programs	-	-	158,489	150,782	158,489	150,782	-5%
Other expenditures	208,034	194,988	-	-	208,034	194,988	-6%
Total expenses	2,708,037	2,494,098	158,489	150,782	2,866,526	2,644,880	-8%
CHANGE IN NET ASSETS	341,987	490,034	(14,048)	(18,531)	327,939	471,503	44%
Net assets beginning of year	814,613	1,156,600	(20,148)	(34,196)	794,465	1,122,404	41%
Net assets end of year	1,156,600	1,646,634	(34,196)	(52,727)	1,122,404	1,593,907	42%

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,984,132 and expenses were \$2,494,098. The District revenues exceeded expenditures by \$490,034.

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 2009	Total Cost of Services 2010	Net Cost of Services 2009	Net Cost of Services 2010
	\$	\$	\$	\$
Instruction	1,710,134	1,623,672	1,084,105	847,387
Support Services	789,869	675,438	683,077	675,438
Non-instructional Programs	-	-	-	-
Other Expenses	208,034	194,988	135,447	117,921
TOTAL	2,708,037	2,494,098	1,902,629	1,640,746

- The cost financed by users of the District’s programs was \$387,874.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$465,478.
- The net cost of governmental activities was financed with \$1,697,263 in property and other taxes and \$397,433 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$132,251 and expenses were \$150,782. The District’s business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The District’s business-type activities show a decrease in net assets with expenses exceeding revenues by \$18,531.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,178,315, above last year’s ending fund balances of \$674,704.

Governmental Fund Highlights

The revenues, though less than the previous year, still exceeded the District’s decreased General Fund expenditures.

- The General Fund balance increased from \$282,375 to \$801,909, due in part to decreases in the negotiated salary and benefits, freezing of salaries, and reductions in existing expenditure commitments of the District.
- The Capital Projects Fund balance decreased from \$284,558 in fiscal 2009 to \$267,546 in fiscal 2010.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$28,767 at June 30, 2009 to \$34,624 at June 30, 2010, representing an increase of approximately 20%. The Nutrition Fund has been supported by the General Fund in past years, but did not have to supplement the Nutrition Fund in 2009-10. The district made cooperative food purchases and also received full payment from the childcare for all meals purchased.

The District's "Thunderville Preschool and Childcare" suffered a \$24,388 loss for 2009-10. The expenses of salaries, benefits, meals, and supplies have exceeded the total revenues for the year in the childcare. The participation has continually grown and it is the hope of the district that the offering of a preschool and childcare will keep patrons in the district by fulfilling these needs. An application for the 4-Year Old Preschool Grant was approved for 2009-10 to help fund the preschool program.

BUDGETARY HIGHLIGHTS

The District's revenues were \$208,687 less than budgeted revenues. 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$527,569, 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 the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$59,024.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2009-2010
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Land	5,000	5,000	-	-	5,000	5,000	0%
Construction in progress	-	-	-	-	-	-	0%
Buildings	299,907	283,430	-	-	299,907	283,430	-5%
Improvements	27,819	72,197	-	-	27,819	72,197	160%
Equipment & Furniture	115,413	148,819	17,611	18,123	133,024	166,942	25%
TOTAL	448,139	509,446	17,611	18,123	465,750	527,569	13%

Long-Term Debt

At June 30, 2010, the District had \$173,315 in capital leases and other long-term debt outstanding. This represents an increase of approximately 122% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2009	2010	Change
			2009-2010
	\$	\$	
Capital Leases	75,583	125,315	66%
Termination Benefits	2,632	36,000	1268%
Net OPEB liability	-	12,000	100%
	<u>78,215</u>	<u>173,315</u>	<u>122%</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:

- The district enrollment had been decreasing in past years with 19 fewer students in 2008-2009. The 2009-2010 district enrollment looks to stabilize. Declining enrollment has been a major factor in the inability to balance the budget.
- The District will negotiate a new agreement during fiscal 2010. Settlements in excess of "new money" or allowable growth in state funding would have an adverse effect on the District's General Fund budget and related fund balance. Certified salaries were reduced by the Phase I dollars not received by the state and the 10% budget cut caused certified contracts to be reduced by 10%. All employee salaries will be froze for 2009-2010.
- The increasing costs of fuels for transportation and heating of the district's buildings will cause decreased spending elsewhere in the budget.
- The district will pursue more opportunities to share staff, programs, athletics, and administration with surrounding districts in order to cut costs. The district reduced the budget expenses for 2009-2010 which was mainly due to staff reductions. Reductions will continue in future budget years as well as discussion of increased whole grade sharing.

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 Cindy Halsrud, District Secretary/Treasurer, Twin Rivers Community School District, 200 College Avenue, Bode, Iowa 50519.

BASIC FINANCIAL STATEMENTS

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	962,351	11,674	974,025
Receivables:			
Property tax:			
Delinquent	23,437	-	23,437
Succeeding year	1,332,969	-	1,332,969
Accounts	7,553	3,842	11,395
Due from other governments	247,547	767	248,314
Internal balances	91,857	(91,857)	-
Inventories	-	5,528	5,528
Prepaid expenses	20,147	-	20,147
Capital assets, net of accumulated depreciation	509,446	18,123	527,569
	<u>3,195,307</u>	<u>(51,923)</u>	<u>3,143,384</u>
Liabilities			
Accounts payable	22,664	-	22,664
Salaries and benefits payable	1,419	-	1,419
Accrued interest payable	5,146	-	5,146
Deferred revenue:			
Succeeding year property tax	1,332,968	-	1,332,968
Other	13,161	804	13,965
Long-term liabilities:			
Portion due within one year:			
Notes payable	17,164	-	17,164
Termination benefits	36,000	-	36,000
Portion due after one year:			
Notes payable	108,151	-	108,151
Net OPEB liability	12,000	-	12,000
	<u>1,548,673</u>	<u>804</u>	<u>1,549,477</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	384,131	18,123	402,254
Restricted for:			
Physical plant and equipment levy	64,081	-	64,081
Other special revenue purposes	30,335	-	30,335
Sales tax capital projects	267,546	-	267,546
Unrestricted	900,541	(70,850)	829,691
Total net assets	<u>1,646,634</u>	<u>(52,727)</u>	<u>1,593,907</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,136,878	307,681	272,594	-
Special	195,708	17,160	58,370	-
Other	291,086	63,033	57,447	-
	<u>1,623,672</u>	<u>387,874</u>	<u>388,411</u>	<u>-</u>
Support services:				
Student	22,139	-	-	-
Instructional staff	59,694	-	-	-
Administration	321,634	-	-	-
Operation and maintenance of plant	171,776	-	-	-
Transportation	100,195	-	-	-
	<u>675,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	93,220	-	-	-
Long-term debt interest	2,602	-	-	-
AEA flowthrough	77,067	-	77,067	-
Depreciation (unallocated)*	22,099	-	-	-
	<u>194,988</u>	<u>-</u>	<u>77,067</u>	<u>-</u>
Total governmental activities	<u>2,494,098</u>	<u>387,874</u>	<u>465,478</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	67,959	31,018	42,714	-
Daycare	82,823	48,844	9,591	-
Total business-type activities	<u>150,782</u>	<u>79,862</u>	<u>52,305</u>	<u>-</u>
Total	<u>2,644,880</u>	<u>467,736</u>	<u>517,783</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(556,603)	-	(556,603)
(120,178)	-	(120,178)
(170,606)	-	(170,606)
<u>(847,387)</u>	<u>-</u>	<u>(847,387)</u>
(22,139)	-	(22,139)
(59,694)	-	(59,694)
(321,634)	-	(321,634)
(171,776)	-	(171,776)
(100,195)	-	(100,195)
<u>(675,438)</u>	<u>-</u>	<u>(675,438)</u>
(93,220)	-	(93,220)
(2,602)	-	(2,602)
-	-	-
(22,099)	-	(22,099)
<u>(117,921)</u>	<u>-</u>	<u>(117,921)</u>
<u>(1,640,746)</u>	<u>-</u>	<u>(1,640,746)</u>
-	5,773	5,773
-	(24,388)	(24,388)
-	(18,615)	(18,615)
<u>(1,640,746)</u>	<u>(18,615)</u>	<u>(1,659,361)</u>
1,355,451	-	1,355,451
27,851	-	27,851
184,324	-	184,324
129,637	-	129,637
397,433	-	397,433
15,786	84	15,870
20,298	-	20,298
<u>2,130,780</u>	<u>84</u>	<u>2,130,864</u>
490,034	(18,531)	471,503
<u>1,156,600</u>	<u>(34,196)</u>	<u>1,122,404</u>
<u>1,646,634</u>	<u>(52,727)</u>	<u>1,593,907</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	633,240	329,111	962,351
Receivables:			
Property tax:			
Delinquent	22,721	716	23,437
Succeeding year	1,201,816	131,153	1,332,969
Accounts	2,346	5,207	7,553
Interfund receivable	91,857	12,467	104,324
Due from other governments	218,209	29,338	247,547
Prepaid expenses	20,147	-	20,147
	<u>2,190,336</u>	<u>507,992</u>	<u>2,698,328</u>
Total assets			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	22,230	434	22,664
Salaries and benefits payable	1,419	-	1,419
Interfund payable	12,467	-	12,467
Deferred revenue:			
Succeeding year property tax	1,201,816	131,152	1,332,968
Income surtax	137,334	-	137,334
Other	13,161	-	13,161
Total liabilities	<u>1,388,427</u>	<u>131,586</u>	<u>1,520,013</u>
Fund balances:			
Unreserved reported in:			
General Fund	801,909	-	801,909
Special Revenue Funds	-	108,860	108,860
Capital Projects Fund	-	267,546	267,546
Total fund balances	<u>801,909</u>	<u>376,406</u>	<u>1,178,315</u>
	<u>2,190,336</u>	<u>507,992</u>	<u>2,698,328</u>
Total liabilities and fund balances			

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	1,178,315
<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.	509,446
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	137,334
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.	(5,146)
Long-term liabilities, including notes payable, termination benefits, and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(173,315)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,646,634</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,502,232	172,213	1,674,445
Tuition	225,743	-	225,743
Other	113,612	88,017	201,629
Intermediate sources	16,000	-	16,000
State sources	618,816	225	619,041
Federal sources	227,870	-	227,870
Total revenues	<u>2,704,273</u>	<u>260,455</u>	<u>2,964,728</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,073,053	13,273	1,086,326
Special	195,186	-	195,186
Other	231,562	59,524	291,086
	<u>1,499,801</u>	<u>72,797</u>	<u>1,572,598</u>
Support services:			
Student	21,617	-	21,617
Instructional staff	59,694	-	59,694
Administration	319,548	-	319,548
Operation and maintenance of plant	119,244	51,316	170,560
Transportation	73,788	148,360	222,148
	<u>593,891</u>	<u>199,676</u>	<u>793,567</u>
Other expenditures:			
Facilities acquisition	-	143,220	143,220
Long-term debt:			
Principal	-	23,045	23,045
AEA flowthrough	77,067	-	77,067
	<u>77,067</u>	<u>166,265</u>	<u>243,332</u>
Total expenditures	<u>2,170,759</u>	<u>438,738</u>	<u>2,609,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>533,514</u>	<u>(178,283)</u>	<u>355,231</u>
Other financing sources (uses):			
Proceeds from long-term loans	-	148,360	148,360
Sales of equipment	20	-	20
Operating transfers in	-	37,045	37,045
Operating transfers out	(14,000)	(23,045)	(37,045)
Total other financing sources (uses)	<u>(13,980)</u>	<u>162,360</u>	<u>148,380</u>
Net change in fund balances	519,534	(15,923)	503,611
Fund balances beginning of year	<u>282,375</u>	<u>392,329</u>	<u>674,704</u>
Fund balances end of year	<u>801,909</u>	<u>376,406</u>	<u>1,178,315</u>

TWIN RIVERS 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 (Exhibit E)		503,611
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded loss on disposal of capital assets and depreciation expense in the current year, as follows:		
Disposal of capital assets	(3,434)	
Expenditures for capital assets	198,360	
Depreciation expense	<u>(58,036)</u>	136,890
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		22,818
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		23,045
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.		(2,602)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(33,368)	
Other postemployment benefits	<u>(12,000)</u>	(45,368)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(148,360)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>490,034</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Nonmajor School Nutrition	Daycare	Total Enterprise Funds
	\$	\$	\$
Assets			
Cash and cash equivalents	11,674	-	11,674
Accounts receivable	103	3,739	3,842
Due from other governments	-	767	767
Inventories	5,528	-	5,528
Capital assets, net of accumulated depreciation	18,123	-	18,123
	<u>35,428</u>	<u>4,506</u>	<u>39,934</u>
Total assets			
Liabilities			
Interfund payable	-	91,857	91,857
Deferred revenue	804	-	804
	<u>804</u>	<u>91,857</u>	<u>92,661</u>
Total liabilities			
Net assets			
Invested in capital assets	18,123	-	18,123
Unrestricted	16,501	(87,351)	(70,850)
	<u>34,624</u>	<u>(87,351)</u>	<u>(52,727)</u>
Total net assets			

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor School Nutrition	Daycare	Total Enterprise Funds
	\$	\$	\$
Operating revenues:			
Local sources:			
Charges for service	31,018	48,844	79,862
Operating expenses:			
Non-instructional programs:			
Salaries	22,938	64,586	87,524
Benefits	3,280	7,486	10,766
Purchased services	1,596	4,445	6,041
Supplies	38,731	6,306	45,037
Depreciation	988	-	988
Other	426	-	426
Total operating expenses	67,959	82,823	150,782
Operating gain (loss)	(36,941)	(33,979)	(70,920)
Non-operating revenues:			
State sources	680	-	680
Federal sources	42,034	7,787	49,821
Donations	-	1,804	1,804
Interest income	84	-	84
Total non-operating revenues	42,798	9,591	52,389
Gain (loss) before transfers	5,857	(24,388)	(18,531)
Net assets beginning of year	28,767	(62,963)	(34,196)
Net assets end of year	34,624	(87,351)	(52,727)

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Nonmajor School Nutrition	Daycare	Total Enterprise Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	31,122	-	31,122
Cash received from daycare services	-	46,196	46,196
Cash payments to employees for services	(26,218)	(72,072)	(98,290)
Cash payments to suppliers for goods or services	(36,464)	(11,173)	(47,637)
Net cash used by operating activities	<u>(31,560)</u>	<u>(37,049)</u>	<u>(68,609)</u>
Cash flows from non-capital financing activities:			
Loans from other funds	-	28,225	28,225
Donations	-	1,804	1,804
State grants received	680	-	680
Federal grants received	34,241	7,020	41,261
Net cash provided by non-capital financing activities	<u>34,921</u>	<u>37,049</u>	<u>71,970</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
Cash flows from investing activities			
Interest on investments	<u>90</u>	<u>-</u>	<u>90</u>
Net increase (decrease) in cash and cash equivalents	1,951	-	1,951
Cash and cash equivalents at beginning of year	<u>9,723</u>	<u>-</u>	<u>9,723</u>
Cash and cash equivalents at end of year	<u>11,674</u>	<u>-</u>	<u>11,674</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(36,941)	(33,979)	(70,920)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	7,793	-	7,793
Depreciation	988	-	988
Decrease (increase) in inventories	(2,712)	-	(2,712)
Decrease (increase) in accounts receivable	62	(2,648)	(2,586)
(Decrease) increase in accounts payable	(792)	(422)	(1,214)
(Decrease) increase in deferred revenue	42	-	42
Net cash used by operating activities	<u>(31,560)</u>	<u>(37,049)</u>	<u>(68,609)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$7,793 of federal commodities.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	30,308
Land	<u>50,000</u>
Total assets	80,308
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	30,308
Unreserved	<u>50,000</u>
Total net assets	<u><u>80,308</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Rent	29,239
Interest	130
Total additions	<u>29,369</u>
Deductions:	
Support services:	
Scholarships awarded	8,250
Property taxes	2,231
Miscellaneous	4,957
Total deductions	<u>15,438</u>
Change in net assets	13,931
Net assets beginning of year	<u>66,377</u>
Net assets end of year	<u><u>80,308</u></u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Bode, Livermore, and Gilmore City, Iowa and the predominately agricultural territory in a portion of Humboldt and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Twin Rivers 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 Twin Rivers Community School District has one component unit that meets the Governmental Accounting Standards Board criteria. The Twin Rivers Education Foundation has been included as a blended component unit and is included in the District's financial statements as a private purpose trust fund.

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 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental fund:

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

The District's major proprietary fund is the Enterprise, Daycare Fund. This fund is used to account for the child care operations of the District.

The District's other proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-10 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Restricted 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 are 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. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payable

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

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor, Management Fund	General Fund	6,292
Nonmajor, Capital Projects Fund	General Fund	6,175
General Fund	Daycare Fund	91,857

The interfund receivable/payable represents monies loaned for cash flow.

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Nonmajor, Debt Service Fund	Nonmajor, Capital Projects Fund	23,045
Nonmajor, Student Activity Fund	General Fund	14,000

The transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.5%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.5% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-

During the year ended June 30, 2010, the District paid \$645 of interest on the ISCAP warrants.

6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Land	5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	911,875	-	-	911,875
Improvements other than buildings	163,934	50,000	-	213,934
Furniture and equipment	568,511	148,360	163,147	553,724
Total capital assets being deprec.	<u>1,644,320</u>	<u>198,360</u>	<u>163,147</u>	<u>1,679,533</u>
Less accumulated depreciation for:				
Buildings	611,968	16,477	-	628,445
Improvements other than buildings	136,115	5,622	-	141,737
Furniture and equipment	453,098	35,937	84,130	404,905
Total accumulated depreciation	<u>1,201,181</u>	<u>58,036</u>	<u>84,130</u>	<u>1,175,087</u>
Total capital assets being depreciated, net	<u>443,139</u>	<u>140,324</u>	<u>79,017</u>	<u>504,446</u>
Governmental activities capital assets, net	<u>448,139</u>	<u>140,324</u>	<u>79,017</u>	<u>509,446</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	108,754	1,500	-	110,254
Less accumulated depreciation	<u>91,143</u>	<u>988</u>	<u>-</u>	<u>92,131</u>
Business type activities capital assets, net	<u>17,611</u>	<u>512</u>	<u>-</u>	<u>18,123</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,314
Support services:	
Operation and Maintenance	1,216
Transportation	26,407
	<u>35,937</u>
Unallocated depreciation	<u>22,099</u>
Total depreciation expense – governmental activities	<u>58,036</u>
Business type activities:	
Food services	<u>988</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Bus notes payable	75,583	148,360	98,628	125,315	17,164
Termination benefits	2,632	36,000	2,632	36,000	36,000
Net OPEB liability	-	12,000	-	12,000	-
Total	<u>78,215</u>	<u>196,360</u>	<u>101,260</u>	<u>173,315</u>	<u>53,164</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than two employees per year will be granted benefits under the policy.

At June 30, 2010, the District has obligations to two participants with a total liability of \$36,000. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$2,632.

Bus Notes Payable

The District issued \$145,360 of notes during the year ended June 30, 2010 to purchase two buses. These notes and the interest will be paid from the Capital Projects Fund. Details of the notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011		17,164	5,881	23,045
2012		17,968	5,077	23,045
2013		<u>90,183</u>	<u>4,236</u>	<u>94,419</u>
		<u>125,315</u>	<u>15,194</u>	<u>140,509</u>

During the year ended June 30, 2010 the District made principal and interest payments totaling \$23,045 under the note agreements.

8. 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 covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$74,372, \$68,179, and \$67,601 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions during the year ended June 30, 2010.

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 21 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Seabury & Smith. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

	\$
Annual required contribution	31,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>31,000</u>
Contributions made	<u>19,000</u>
Increase in net OPEB obligation	12,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>12,000</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.

For the year ended June 30, 2010, the District contributed \$19,000 to the medical plan.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	31,000	61%	12,000

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 \$304,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$304,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$970,000, and the ratio of the UAAL to covered payroll was 31.3%. 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 events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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 the July 1, 2009 actuarial valuation date, the alternative measurement 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 developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$16,333 per year for retirees less than age 65. 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.

10. Risk Management

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

11. 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 \$77,067 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Deficit Fund Balances

At June 30, 2010 the Enterprise Daycare Fund had a deficit net assets balance of \$87,351.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,101,817	81,750	2,183,567	2,382,232	2,382,232	(198,665)
Intermediate sources	16,000	-	16,000	-	-	16,000
State sources	619,041	680	619,721	800,434	800,434	(180,713)
Federal sources	227,870	49,821	277,691	123,000	123,000	154,691
Total revenues	<u>2,964,728</u>	<u>132,251</u>	<u>3,096,979</u>	<u>3,305,666</u>	<u>3,305,666</u>	<u>(208,687)</u>
Expenditures/Expenses:						
Instruction	1,572,598	-	1,572,598	1,667,047	1,667,047	94,449
Support services	793,567	-	793,567	1,028,415	1,028,415	234,848
Non-instructional programs	-	150,782	150,782	266,026	266,026	115,244
Other expenditures	243,332	-	243,332	378,801	378,801	135,469
Total expenditures/expenses	<u>2,609,497</u>	<u>150,782</u>	<u>2,760,279</u>	<u>3,340,289</u>	<u>3,340,289</u>	<u>580,010</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	355,231	(18,531)	336,700	(34,623)	(34,623)	371,323
Other financing sources (uses) net	<u>148,380</u>	<u>-</u>	<u>148,380</u>	<u>-</u>	<u>-</u>	<u>148,380</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	503,611	(18,531)	485,080	(34,623)	(34,623)	519,703
Balance beginning of year	<u>674,704</u>	<u>(34,196)</u>	<u>640,508</u>	<u>712,927</u>	<u>712,927</u>	<u>(72,419)</u>
Balance end of year	<u><u>1,178,315</u></u>	<u><u>(52,727)</u></u>	<u><u>1,125,588</u></u>	<u><u>678,304</u></u>	<u><u>678,304</u></u>	<u><u>447,284</u></u>

TWIN RIVERS 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 a GAAP basis.

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

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
July 1, 2009	-	304,000	304,000	0.0%	970,000	31.3%

See Note 9 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

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
		Equipment	Fund		
	\$	\$	\$	\$	\$
Cash and pooled investments	5,915	27,549	63,614	232,033	329,111
Receivables:					
Property tax:					
Delinquent	250	-	466	-	716
Succeeding year	100,000	-	31,153	-	131,153
Accounts	1,987	3,220	-	-	5,207
Interfund receivable	6,292	-	-	6,175	12,467
Due from other governments	-	-	-	29,338	29,338
Total assets	114,444	30,769	95,233	267,546	507,992
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	434	-	-	434
Deferred revenue:					
Succeeding year property tax	100,000	-	31,152	-	131,152
Total liabilities	100,000	434	31,152	-	131,586
Fund balances:					
Unreserved fund balance reported in:					
Special Revenue Funds	14,444	30,335	64,081	-	108,860
Capital Projects Fund	-	-	-	267,546	267,546
Total fund balances	14,444	30,335	64,081	267,546	376,406
Total liabilities and fund balances	114,444	30,769	95,233	267,546	507,992

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue Funds					Total
	Management	Student	Physical	Capital	Debt	
	Levy	Activity	Plant and	Projects	Service	
		Equipment	Fund			
	\$	Fund	Levy	Fund	\$	\$
		\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	14,725	-	27,851	129,637	-	172,213
Other	10,900	63,148	9,554	4,415	-	88,017
State sources	210	-	15	-	-	225
Total revenues	<u>25,835</u>	<u>63,148</u>	<u>37,420</u>	<u>134,052</u>	<u>-</u>	<u>260,455</u>
Expenditures:						
Current:						
Instruction:						
Regular	13,273	-	-	-	-	13,273
Other	-	59,524	-	-	-	59,524
Support services:						
Operation and maintenance of plant	48,094	-	3,222	-	-	51,316
Transportation	-	-	-	148,360	-	148,360
Other expenditures:						
Facilities acquisition	-	-	15,201	128,019	-	143,220
Long-term debt:						
Principal	-	-	-	-	23,045	23,045
Total expenditures	<u>61,367</u>	<u>59,524</u>	<u>18,423</u>	<u>276,379</u>	<u>23,045</u>	<u>438,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,532)</u>	<u>3,624</u>	<u>18,997</u>	<u>(142,327)</u>	<u>(23,045)</u>	<u>(178,283)</u>
Other financing sources (uses):						
Proceeds from long-term loans	-	-	-	148,360	-	148,360
Operating transfers in	-	14,000	-	-	23,045	37,045
Operating transfers out	-	-	-	(23,045)	-	(23,045)
Total other financing sources (uses)	<u>-</u>	<u>14,000</u>	<u>-</u>	<u>125,315</u>	<u>23,045</u>	<u>162,360</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(35,532)</u>	<u>17,624</u>	<u>18,997</u>	<u>(17,012)</u>	<u>-</u>	<u>(15,923)</u>
Fund balances beginning of year	<u>49,976</u>	<u>12,711</u>	<u>45,084</u>	<u>284,558</u>	<u>-</u>	<u>392,329</u>
Fund balances end of year	<u>14,444</u>	<u>30,335</u>	<u>64,081</u>	<u>267,546</u>	<u>-</u>	<u>376,406</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Athletics	(16,357)	42,644	26,494	(56)	(263)
Elementary spirit	162	997	1,043	-	116
High school spirit	7,632	4,586	6,318	-	5,900
Student council	112	936	748	56	356
Drill team	3,420	8,629	7,780	-	4,269
Spanish club	1,244	12	1	-	1,255
Pep club	(85)	1,166	1,117	-	(36)
National Honor Society	86	12	10	-	88
Renaissance	306	3	-	-	309
Speech/Drama	1,400	1,563	2,821	-	142
Red, white, blue crew	89	2,190	2,275	-	4
Student pictures	21	77	77	-	21
Parents/teachers 4 kids	231	2,494	1,099	-	1,626
Class of 2013	-	511	32	-	479
Class of 2012	481	1,310	775	-	1,016
Positive behavior supports	1,426	395	111	-	1,710
Class of 2009	5	-	-	-	5
Class of 2010	610	1,306	1,337	-	579
Class of 2011	998	3,593	3,303	-	1,288
French club	177	12	1	-	188
Yearbook	14,200	1,492	7,195	-	8,497
Beginning accrual entries	(3,447)	-	(3,447)	-	-
Ending accrual entries	-	3,220	434	-	2,786
Totals	<u>12,711</u>	<u>77,148</u>	<u>59,524</u>	<u>-</u>	<u>30,335</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	1,674,445	1,650,709	1,450,158	1,266,904	1,262,332	1,194,481	1,270,862
Tuition	225,743	271,697	267,517	264,904	271,106	274,671	267,762
Other	201,629	220,358	207,383	261,665	211,712	213,457	213,198
Intermediate sources	16,000	15,000	-	-	-	-	-
State sources	619,041	774,837	753,438	701,089	697,987	673,656	708,599
Federal sources	227,870	85,304	63,932	113,519	187,679	174,996	109,385
Total revenues	2,964,728	3,017,905	2,742,428	2,608,081	2,630,816	2,531,261	2,569,806
Expenditures:							
Instruction:							
Regular instruction	1,086,326	1,208,237	1,142,898	993,642	1,142,748	1,040,414	1,019,729
Special instruction	195,186	180,900	174,698	230,135	251,049	310,666	133,502
Other instruction	291,086	320,224	310,156	406,360	304,217	309,882	270,026
Support services:							
Student services	21,617	26,770	25,545	57,376	24,309	85,231	81,635
Instructional staff services	59,694	105,488	102,398	106,626	129,070	28,366	26,757
Administration services	319,548	352,617	367,227	344,898	369,144	375,184	364,059
Operation and maintenance	170,560	214,689	194,587	207,671	245,557	256,474	231,943
Transportation services	222,148	81,440	78,746	210,387	136,270	78,313	317,797
Non-instructional programs	-	-	-	-	-	260	-
Other expenditures:							
Facilities acquisition	143,220	111,320	5,201	41,559	228,534	44,625	10,415
Long-term debt:							
Principal	23,045	17,585	76,852	143,284	73,417	22,335	82,097
Interest and other charges	-	4,705	7,454	4,133	9,817	5,883	2,540
AEA flowthrough	77,067	72,587	70,247	68,762	66,796	66,506	69,597
Total expenditures	2,609,497	2,696,562	2,556,009	2,814,833	2,980,928	2,624,139	2,610,097

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
Twin Rivers 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 Twin Rivers 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 May 6, 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 Twin Rivers Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Twin Rivers Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Rivers 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 and Responses. We identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin Rivers 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 and Responses.

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.

Twin Rivers Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Twin Rivers 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 Twin Rivers Community School District and other parties to whom Twin Rivers Community School District may report, 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 Twin Rivers 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 6, 2011

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- 10-II-A Certified Budget: Expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted in the other expenditures functional area.
- 10-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-II-C Travel Expenses: 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.
- 10-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 10-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 10-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 10-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 10-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 10-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 10-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education by extended due date.
- 10-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	\$
		284,558
Statewide sales, services and use tax	129,637	
Interest	751	
Proceeds from bus loans	148,360	
Other	3,664	282,412
Expenditures/transfers out:		
School infrastructure:		
Land and land improvements	3,400	
Buildings and building improvements	124,619	
Equipment	148,360	
Debt service for school infrastructure:		
General obligation debt	23,045	299,424
Ending balance		<u>267,546</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service levy	.27170	23,045
Physical plant and equipment levy	1.25670	106,592

10-II-M Financial Condition: The District has a deficit net assets balance in the Enterprise Daycare Fund of \$87,351 and there are two accounts with deficit balances in the Student Activity Fund.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2010

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

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

10-II-N Interfund loans: On October 22, 2009 the Iowa Department of Education issued a revised Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

Recommendation: The District should follow the October 22, 2009 Declaratory Order with respect to the interfund loans listed in Note 3 to the financial statements.

District Response: We will revise our interfund loan procedures.

Conclusion: Response accepted.

10-II-O General Fund Subsidizing Daycare Fund: The Iowa Department of Education has issued an opinion that General Fund money may not be used to cover Daycare Fund deficits. Currently the General Fund has loaned the Daycare Fund \$91,857 to cover deficits that the Daycare Fund has incurred over the past four years

Recommendation: The District should discuss this issue with its attorney and the Iowa Department of Education.

District Response: We will discuss this with our attorney and the Iowa Department of Education.

Conclusion: Response accepted.