

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Basic Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	51
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 <u>Government Auditing Standards</u>		53-54
Schedule of Findings		55-59

Tri-County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Kelly Tish	President	2011
Berdette Ogden	Vice President	2013
Gary Bates	Board Member	2013
Jody Schroeder	Board Member	2011
Justin Leer	Board Member	2011
School Officials		
Todd Abrahamson	Superintendent	2011
Rebecca Appleget	District Secretary/ Business Manager	2011
Joanne Bair	District Asst. Treasurer	2011
Brian Gruhn Law Firm	District Attorney	2011

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District, Thornburg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2012 on our consideration of Tri-County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tri-County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Handwritten signature in cursive script, reading "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tri-County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,085,656 in fiscal year 2010 to \$3,421,197 in fiscal year 2011, while General Fund expenditures increased from \$3,195,142 in fiscal 2010 to \$3,330,030 in fiscal 2011. This resulted in a decrease in the District's General Fund balance from \$317,796 in fiscal 2010 to \$408,963 in fiscal 2011.
- Overall, the District net assets in the governmental activities decreased by \$490,668, and the business type activities decreased by \$3,075, respectively.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

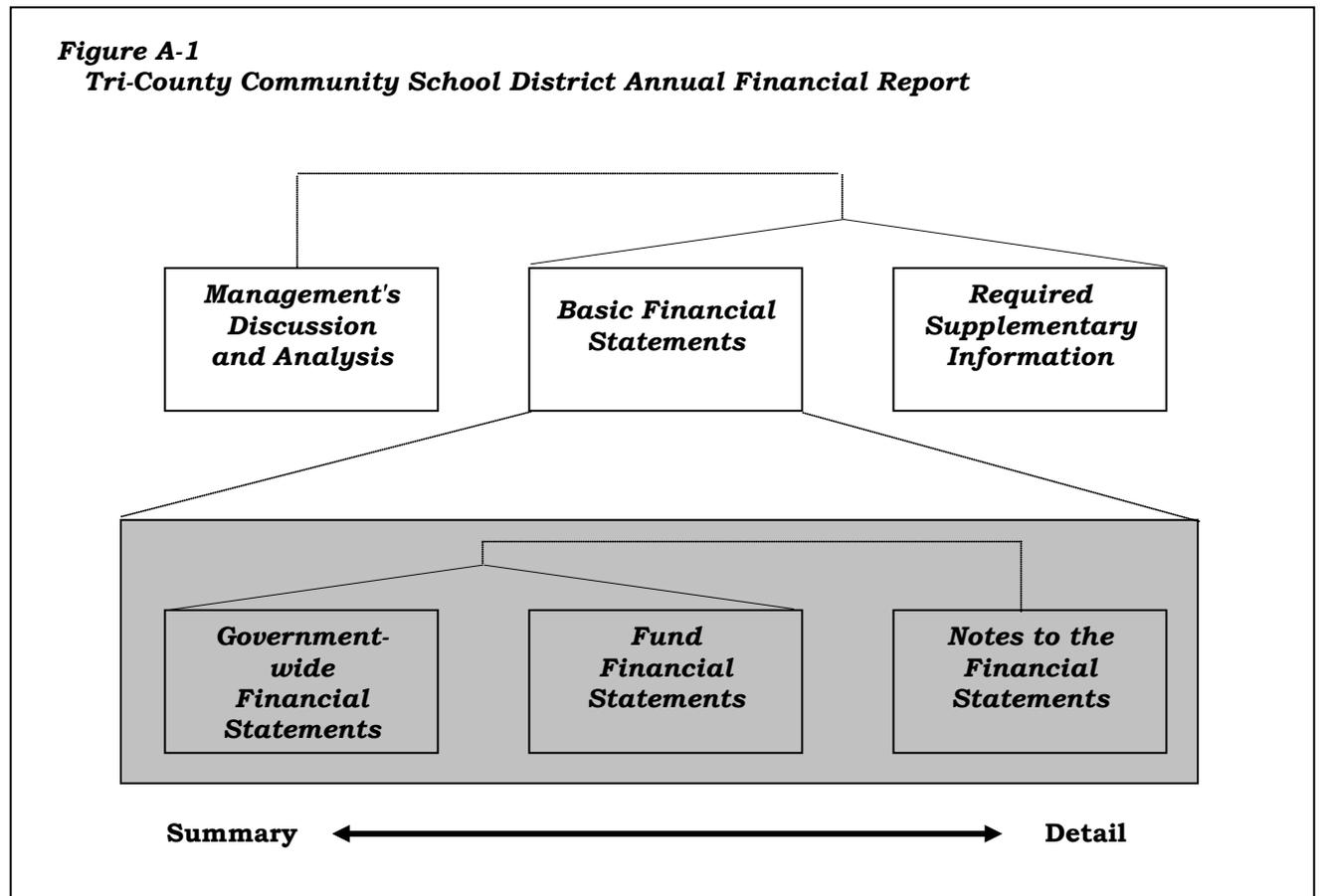


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 2,869,558	2,737,547	9,977	8,015	2,879,535	2,745,562	4.88%
Capital assets	930,186	1,060,506	26,923	31,121	957,109	1,091,627	-12.32%
Total assets	3,799,744	3,798,053	36,900	39,136	3,836,644	3,837,189	-0.01%
Long-term obligations	1,357,805	1,036,348	1,429	590	1,359,234	1,036,938	31.08%
Other liabilities	1,789,214	1,618,312	519	519	1,789,733	1,618,831	10.56%
Total liabilities	3,147,019	2,654,660	1,948	1,109	3,148,967	2,655,769	18.57%
Net assets:							
Invested in capital assets, net of related debt	80,186	55,506	26,923	31,121	107,109	86,627	23.64%
Restricted	480,417	678,455	0	0	480,417	678,455	-29.19%
Unrestricted	92,122	409,432	8,029	6,906	100,151	416,338	-75.94%
Total net assets	\$ 652,725	1,143,393	34,952	38,027	687,677	1,181,420	-41.79%

The District's combined net assets decreased by 41.79% over the prior year. The District's net assets, which are invested in capital assets (e.g., land, buildings and equipment), less the related debt, increased by 23.64%. 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 29.19% over the prior year. The decrease was primarily a result of the decrease in the Capital Projects and Debt Service fund balances.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased by 75.94% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 284,462	216,748	59,402	65,338	343,864	282,086	21.90%
Operating grants and contributions and restricted interest	582,419	727,814	85,104	74,665	667,523	802,479	-16.82%
Capital grants and contributions and restricted interest	0	9,785	0	0	0	9,785	100.00%
General revenues:							
Local tax	1,407,046	1,326,113	0	0	1,407,046	1,326,113	6.10%
Income surtax	189,185	224,851	0	0	189,185	224,851	-15.86%
Statewide sales, services and use tax	196,752	208,646	0	0	196,752	208,646	-5.70%
Nonspecific program federal funding	56,317	0	0	0	56,317	0	100.00%
Unrestricted state grants	1,071,404	981,579	0	0	1,071,404	981,579	9.15%
Other	30,951	38,956	391	80	31,342	39,036	-19.71%
Transfers	0	(2,500)	0	2,500	0	0	0.00%
Total revenues and transfers	3,818,536	3,731,992	144,897	142,583	3,963,433	3,874,575	2.29%
Program expenses:							
Governmental activities:							
Instruction	2,847,162	2,409,050	0	0	2,847,162	2,409,050	18.19%
Support services	1,214,212	996,331	6,689	7,154	1,220,901	1,003,485	21.67%
Non-instructional programs	0	150	141,283	137,692	141,283	137,842	2.50%
Other expenses	247,830	354,498	0	0	247,830	354,498	-30.09%
Total expenses	4,309,204	3,760,029	147,972	144,846	4,457,176	3,904,875	14.14%
Change in net assets	(490,668)	(28,037)	(3,075)	(2,263)	(493,743)	(30,300)	1529.51%
Net assets beginning of year, as restated	1,143,393	1,171,430	38,027	40,290	1,181,420	1,211,720	-2.50%
Net assets end of year	\$ 652,725	1,143,393	34,952	38,027	687,677	1,181,420	-41.79%

In fiscal 2011, local tax and unrestricted state grants account for 64.91% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.73% of the revenue from business type activities.

The District's total revenues were approximately \$3.96 million of which \$3.82 million was for governmental activities and \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.29% in revenues and an increase of 14.14% in expenses.

Governmental Activities

Revenues for governmental activities were \$3,818,536 and expenses were \$4,309,204.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,847,162	2,409,050	18.19%	2,108,210	1,595,492	32.14%
Support services	1,214,212	996,331	21.87%	1,212,374	992,324	22.18%
Non-instructional	0	150	100.00%	0	150	100.00%
Other expenses	247,830	354,498	-30.09%	121,739	217,716	-44.08%
Totals	<u>\$ 4,309,204</u>	<u>3,760,029</u>	<u>14.61%</u>	<u>3,442,323</u>	<u>2,805,682</u>	<u>22.69%</u>

- The cost financed by users of the District’s programs was \$284,462.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$582,419.
- The net cost of governmental activities was financed with \$1,407,046 in local tax, \$189,185 in income surtax, \$196,752 in statewide sales, services and use tax, \$56,317 in nonspecific program federal funding, \$1,071,404 in unrestricted state grants, \$1,160 in interest income and \$29,791 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$144,897 and expenses were \$147,972. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$895,740, compared to last year’s ending fund balances of \$928,076.

Governmental Fund Highlights

- The District’s increasing General Fund financial position is the product of many factors. Increases in local tax and state revenues during the year, resulted in an increase in revenues. Expenses in the instructional and support services also increased during the year.
- The Capital Projects Accounts total balance decreased from \$305,084 at June 30, 2010, to \$283,646 at June 30, 2011. During the year ended June 30, 2011 the Physical Plant and Equipment Levy Fund was reclassified as a Capital Project Account due to GASB 54. The Statewide Sales, Services and Use Tax Fund revenues increased from \$208,646 at June 30, 2010 to \$612,894 at June 30, 2011 and the expenditures increased from \$163,406 at June 30, 2010 to \$592,580 at June 30, 2011. The increase in revenues was primarily due to an increase in local revenues. The Physical Plant and Equipment Levy Fund revenues decreased from \$105,067 at June 30, 2010 to \$59,580 at June 30, 2011 and expenditures decreased from \$128,512 at June 30, 2010 to \$101,332 at June 30, 2011. The decrease in revenues was primarily due to a decrease in local revenues.

- The Debt Service Fund balance decreased from \$20,020 at the end of fiscal year 2010 to \$2,136 at the end of fiscal year 2011. Revenues decreased by \$17,535 or 9.20% and expenditures \$550 or 0.29%. The decrease in revenues was primarily due to the decreases in local tax revenue.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$38,027 at June 30, 2010 to \$34,952 at June 30, 2010, representing a decrease of 8.09%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$1,421,875 less than budgeted revenues, a variance of 26.37%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$0.96 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$142,851.

The original cost of the District’s capital assets was \$4,477,067. Governmental funds account for \$4,406,100 with the remainder of \$70,967 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the building improvements category. The District’s building improvements totaled \$596,891 at June 30, 2010 compared to \$517,746 at June 30, 2011. This decrease is due to the District disposing of copiers during fiscal 2011.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 23,205	23,205	0	0	23,205	23,205	0.00%
Buildings	517,746	596,891	0	0	517,746	596,891	-13.26%
Land improvements	86,419	93,487	0	0	86,419	93,487	-7.56%
Machinery and equipment	302,816	346,923	26,923	31,121	329,739	378,044	-12.78%
Total	\$ 930,186	1,060,506	26,923	31,121	957,109	1,091,627	-12.32%

Long-Term Debt

At June 30, 2011, the District had \$1,359,234 in general obligation and other long-term debt outstanding. This represents an increase of 31.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$850,000 at June 30, 2011.

The District had total outstanding computer lease payable of \$416,115 at June 30, 2011.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$40,639, which is an increase of 2,416.35% from the prior year.

The District also had compensated absences of \$9,301 at June 30, 2011.

The District had net OPEB liability payable of \$43,179 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2011	2010	June 30, 2010-2011
General obligation bonds	\$ 850,000	1,005,000	-15.42%
Computer lease	416,115	0	100.00%
Early retirement	40,639	1,615	2416.35%
Compensated absences	9,301	7,323	27.01%
Net OPEB liability	43,179	23,000	87.73%
Totals	<u>\$ 1,359,234</u>	<u>1,036,938</u>	<u>31.08%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beckie Appleget, District Secretary/Business Manager, Tri-County Community School District, 3003 Hwy. 22, P.O. Box 17, Thornburg, Iowa, 50255.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 810,679	8,791	819,470
Receivables:			
Property tax:			
Delinquent	27,585	0	27,585
Succeeding year	1,642,297	0	1,642,297
Income surtax	187,148	0	187,148
Accounts	60,566	0	60,566
Due from other governments	141,283	0	141,283
Inventories	0	1,186	1,186
Capital assets, net of accumulated depreciation	930,186	26,923	957,109
Total Assets	3,799,744	36,900	3,836,644
Liabilities			
Accounts payable	103,912	0	103,912
Accrued interest payable	2,544	0	2,544
Deferred revenue:			
Succeeding year property tax	1,642,297	0	1,642,297
Other	40,461	0	40,461
Unearned revenues	0	519	519
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	0	155,000
Computer lease payable	115,405	0	115,405
Early retirement payable	33,910	0	33,910
Compensated absences payable	9,301	0	9,301
Portion due after one year:			
General obligation bonds payable	695,000	0	695,000
Computer lease payable	300,710	0	300,710
Early retirement payable	6,729	0	6,729
Net OPEB liability	41,750	1,429	43,179
Total Liabilities	3,147,019	1,948	3,148,967
Net Assets			
Invested in capital assets, net of related debt	80,186	26,923	107,109
Restricted for:			
Categorical funding	26,529	0	26,529
Debt Service	2,136	0	2,136
Management levy purposes	89,146	0	89,146
Student activities	78,960	0	78,960
Physical plant and equipment levy	83,056	0	83,056
School infrastructure	200,590	0	200,590
Unrestricted	92,122	8,029	100,151
Total Net Assets	\$ 652,725	34,952	687,677

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges	Operating Grants, Contributions	Governmental Activities	Business Type Activities	
		for Services	and Restricted Interest			
Governmental activities:						
Instruction:						
Regular	\$ 1,801,181	123,969	263,685	(1,413,527)	0	(1,413,527)
Special	365,122	29,973	47,358	(287,791)	0	(287,791)
Other	680,859	130,520	143,447	(406,892)	0	(406,892)
	<u>2,847,162</u>	<u>284,462</u>	<u>454,490</u>	<u>(2,108,210)</u>	<u>0</u>	<u>(2,108,210)</u>
Support services:						
Student	3,200	0	0	(3,200)	0	(3,200)
Instructional staff	30,951	0	1,838	(29,113)	0	(29,113)
Administration	406,890	0	0	(406,890)	0	(406,890)
Operation and maintenance of plant	502,602	0	0	(502,602)	0	(502,602)
Transportation	270,569	0	0	(270,569)	0	(270,569)
	<u>1,214,212</u>	<u>0</u>	<u>1,838</u>	<u>(1,212,374)</u>	<u>0</u>	<u>(1,212,374)</u>
Other expenses:						
Long-term debt interest	35,526	0	0	(35,526)	0	(35,526)
AEA flowthrough	126,091	0	126,091	0	0	0
Depreciation(unallocated)*	86,213	0	0	(86,213)	0	(86,213)
	<u>247,830</u>	<u>0</u>	<u>126,091</u>	<u>(121,739)</u>	<u>0</u>	<u>(121,739)</u>
Total governmental activities	4,309,204	284,462	582,419	(3,442,323)	0	(3,442,323)
Business Type activities:						
Support services:						
Administration	6,689	0	0	0	(6,689)	(6,689)
Non-instructional programs:						
Nutrition services	141,283	59,402	85,104	0	3,223	3,223
Total business type activities	147,972	59,402	85,104	0	(3,466)	(3,466)
Total	\$ 4,457,176	343,864	667,523	(3,442,323)	(3,466)	(3,445,789)
General Revenues:						
General Revenues:						
Local tax for:						
General purposes				\$ 1,390,756	0	1,390,756
Capital outlay				16,290	0	16,290
Income surtax				189,185	0	189,185
Statewide sales and services tax				196,752	0	196,752
Nonspecific program federal funding				56,317	0	56,317
Unrestricted state grants				1,071,404	0	1,071,404
Unrestricted investment earnings				1,160	9	1,169
Other				29,791	382	30,173
Total general revenues				<u>2,951,655</u>	<u>391</u>	<u>2,952,046</u>
Changes in net assets				(490,668)	(3,075)	(493,743)
Net assets beginning of year				1,143,393	38,027	1,181,420
Net assets end of year				\$ 652,725	34,952	687,677

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

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 423,864	183,868	2,136	200,811	810,679
Receivables:					
Property tax:					
Delinquent	27,074	327	0	184	27,585
Succeeding year	1,329,463	49,733	213,101	50,000	1,642,297
Income surtax	140,361	46,787	0	0	187,148
Accounts	60,566	0	0	0	60,566
Due from other governments	41,832	99,451	0	0	141,283
Total Assets	\$ 2,023,160	380,166	215,237	250,995	2,869,558
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 103,912	0	0	0	103,912
Deferred revenue:					
Succeeding year property tax	1,329,463	49,733	213,101	50,000	1,642,297
Income surtax	140,361	46,787	0	0	187,148
Other	40,461	0	0	0	40,461
Total liabilities	1,614,197	96,520	213,101	50,000	1,973,818
Fund balances:					
Restricted for:					
Categorical funding	26,529	0	0	0	26,529
Debt service	0	0	2,136	0	2,136
Management levy purposes	0	0	0	129,785	129,785
Student activities	0	0	0	78,960	78,960
School infrastructure	0	200,590	0	0	200,590
Physical plant and equipment levy	0	83,056	0	0	83,056
Unassigned:					
General	382,434	0	0	0	382,434
Student activities	0	0	0	(7,750)	(7,750)
Total fund balances	408,963	283,646	2,136	200,995	895,740
Total Liabilities and Fund Balances	\$ 2,023,160	380,166	215,237	250,995	2,869,558

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 895,740
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	930,186
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	187,148
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,544)
Long-term liabilities, including general obligation bonds payable, computer lease, compensated absences, early retirement payable and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,357,805)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 652,725</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,534,401	256,179	0	9,372	1,799,952
Tuition	114,737	0	0	0	114,737
Other	61,919	180	61	138,516	200,676
State sources	1,516,565	0	0	0	1,516,565
Federal sources	193,575	0	0	0	193,575
Total revenues	<u>3,421,197</u>	<u>256,359</u>	<u>61</u>	<u>147,888</u>	<u>3,825,505</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,312,792	428,258	0	1,615	1,742,665
Special	362,728	0	0	0	362,728
Other	544,538	0	0	135,618	680,156
	<u>2,220,058</u>	<u>428,258</u>	<u>0</u>	<u>137,233</u>	<u>2,785,549</u>
Support services:					
Student	3,200	0	0	0	3,200
Instructional staff	28,838	0	0	0	28,838
Administration	403,479	0	0	0	403,479
Operation and maintenance of plant	312,235	0	0	94,836	407,071
Transportation	236,129	0	0	0	236,129
	<u>983,881</u>	<u>0</u>	<u>0</u>	<u>94,836</u>	<u>1,078,717</u>
Other expenditures:					
Facilities acquisitions	0	92,659	0	0	92,659
Long-term debt:					
Principal	0	0	155,000	0	155,000
Interest and fiscal charges	0	0	35,940	0	35,940
AEA flowthrough	126,091	0	0	0	126,091
	<u>126,091</u>	<u>92,659</u>	<u>190,940</u>	<u>0</u>	<u>409,690</u>
Total expenditures	<u>3,330,030</u>	<u>520,917</u>	<u>190,940</u>	<u>232,069</u>	<u>4,273,956</u>
Excess(deficiency) of revenues over(under) expenditures	91,167	(264,558)	(190,879)	(84,181)	(448,451)
Other financing sources(uses):					
Proceeds from computer leases	0	416,115	0	0	416,115
Transfer in	0	0	172,995	0	172,995
Transfer out	0	(172,995)	0	0	(172,995)
Total other financing sources(uses)	<u>0</u>	<u>243,120</u>	<u>172,995</u>	<u>0</u>	<u>416,115</u>
Net change in fund balances	91,167	(21,438)	(17,884)	(84,181)	(32,336)
Fund balances beginning of year, as restated	<u>317,796</u>	<u>305,084</u>	<u>20,020</u>	<u>285,176</u>	<u>928,076</u>
Fund balance end of year	\$ <u>408,963</u>	<u>283,646</u>	<u>2,136</u>	<u>200,995</u>	<u>895,740</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (32,336)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of current depreciation and capital outlay expenditures in the current year, are as follows:

Capital outlays	\$ (12,768)	
Depreciation expense	<u>(117,552)</u>	(130,320)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (6,969)

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

Early Retirement	\$ (39,024)	
Compensated absences	(1,978)	
Net OPEB liability	<u>(19,340)</u>	(60,342)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. (261,115)

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. 414

Changes in net assets of governmental activities(page 19) \$ (490,668)

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 8,791
Inventories	1,186
Capital assets, net of accumulated depreciation	<u>26,923</u>
Total Assets	<u>36,900</u>
Liabilities	
Unearned revenue	519
Net OPEB liability	<u>1,429</u>
Total Liabilities	<u>1,948</u>
Net Assets	
Invested in capital assets	26,923
Unrestricted	<u>8,029</u>
Total Net Assets	<u>\$ 34,952</u>

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 59,402
Miscellaneous	382
TOTAL OPERATING REVENUE	59,784
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	4,353
Benefits	2,336
	6,689
Non-instructional programs:	
Food service operations:	
Salaries	54,195
Benefits	14,630
Services	6,824
Supplies	61,436
Depreciation	4,198
	141,283
TOTAL OPERATING EXPENSES	147,972
OPERATING LOSS	(88,188)
NON-OPERATING REVENUES:	
State sources	1,297
Federal sources	83,807
Interest income	9
TOTAL NON-OPERATING REVENUES	85,113
Changes in net assets	(3,075)
Net assets beginning of year	38,027
Net assets end of year	\$ 34,952

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 59,402
Cash received from miscellaneous operating activities	382
Cash payments to employees for services	(74,675)
Cash payments to suppliers for goods or services	(54,345)
Net cash used in operating activities	(69,236)
Cash flows from non-capital financing activities:	
State grants received	1,297
Federal grants received	74,235
Net cash provided by non-capital financing activities	75,532
Cash flows from investing activities:	
Interest on investment	9
Net increase in cash and cash equivalents	6,305
Cash and cash equivalents at beginning of year	2,486
Cash and cash equivalents at end of year	\$ 8,791
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (88,188)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,572
Depreciation	4,198
Decrease in inventories	4,343
Increase in other postemployment benefits	839
Net cash used in operating activities	\$ (69,236)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR

During the year ended June 30, 2011 the District received Federal commodities valued at \$9,572.

SEE NOTES TO FINANCIAL STATEMENTS.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Life (In Years)
Buildings	20 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$175,002 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 172,995</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service fund was needed to make the payments on the District's bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 70,967	0	0	70,967
Less accumulated depreciation	39,846	4,198	0	44,044
Business type activities capital assets, net	<u>\$ 31,121</u>	<u>(4,198)</u>	<u>0</u>	<u>26,923</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 23,205	0	0	23,205
Total capital assets not being depreciated	<u>23,205</u>	<u>0</u>	<u>0</u>	<u>23,205</u>
Capital assets being depreciated:				
Buildings	3,121,358	0	0	3,121,358
Land improvements	229,220	0	0	229,220
Machinery and equipment	1,045,085	14,000	26,768	1,032,317
Total capital assets being depreciated	<u>4,395,663</u>	<u>14,000</u>	<u>26,768</u>	<u>4,382,895</u>
Less accumulated depreciation for:				
Buildings	2,524,467	79,145	0	2,603,612
Land improvements	135,733	7,068	0	142,801
Machinery and equipment	698,162	52,440	21,101	729,501
Total accumulated depreciation	<u>3,358,362</u>	<u>138,653</u>	<u>21,101</u>	<u>3,475,914</u>
Total capital assets being depreciated, net	<u>1,037,301</u>	<u>(124,653)</u>	<u>5,667</u>	<u>906,981</u>
Governmental activities capital assets, net	<u>\$ 1,060,506</u>	<u>(124,653)</u>	<u>5,667</u>	<u>930,186</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,480
Support services:	
Instructional	1,900
Administration	1,520
Operation and maintenance of plant	1,433
Transportation	<u>34,107</u>
	52,440
Unallocated depreciation	<u>86,213</u>
Total governmental activities depreciation expense	<u>\$ 138,653</u>
Business type activities:	
Food services	<u>\$ 4,198</u>

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,005,000	0	155,000	850,000	155,000
Computer lease	0	416,115	0	416,115	115,405
Early retirement	1,615	40,639	1,615	40,639	33,910
Compensated absences	7,323	9,301	7,323	9,301	9,301
Net OPEB liability	22,410	19,340	0	41,750	0
Total	\$ 1,036,348	485,395	163,938	1,357,805	313,616
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 590	839	0	1,429	0

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are based on 100% of the difference between the BA Step 0 and the employee's position on the salary scale as of the start of the following school year. In addition, if the employee has more than 25 consecutive years, they will be entitled to an additional \$1,500 for five years. Early retirement benefits paid during the year ended June 30, 2011, totaled \$1,615. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of August 1, 2003		
		Principal	Interest	Total
2012	3.30	155,000	30,530	185,530
2013	3.40	165,000	25,415	190,415
2014	3.60	170,000	19,805	189,805
2015	3.75	175,000	13,685	188,685
2016	3.85	185,000	7,122	192,122
Subtotal		\$ 850,000	96,557	946,557

Computer Lease Payable

Details of the District's June 30, 2011 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease of October 26, 2010			Computer lease of November 23, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	1.88 %	\$ 17,670	1,107	2.81 %	\$ 94,553	9,621
2013	1.88	18,003	773	2.81	97,210	6,964
2014	1.88	18,343	434	2.81	99,942	4,232
2015	1.88	9,301	87	2.81	50,664	1,423
Total		\$ 63,317	2,401		\$ 342,369	22,240

Year Ending June 30,	Computer lease of January 6, 2011			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	8.99 %	\$ 3,182	937	\$ 115,405	11,665	127,070
2013	8.99	3,468	651	118,681	8,388	127,069
2014	8.99	3,779	340	122,064	5,006	127,070
2015		-	-	59,965	1,510	61,475
Total		\$ 10,429	1,928	\$ 416,115	26,569	442,684

(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$137,470, \$128,071, and \$126,003 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 32,000
Interest on net OPEB obligation	1,035
Adjustment to annual required contribution	(856)
Annual OPEB cost	<u>32,179</u>
Contributions made	<u>(12,000)</u>
Increase in net OPEB obligation	20,179
Net OPEB obligation beginning of year	<u>23,000</u>
Net OPEB obligation end of year	<u><u>\$ 43,179</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 32,000	28.13%	\$ 23,000
2011	32,179	37.29%	43,179

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$215,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$215,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,579,577, and the ratio of the UAAL to covered payroll was 13.61%. As of June 30, 2011 there were no trust fund assets.

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

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

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

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

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

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

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$126,091 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Categorical Funding

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

Project	Amount
Four-year old preschool	\$ 20,127
Beginning teacher mentoring	2,417
Professional development	3,985
Total	<u>\$ 26,529</u>

(11) Deficit Unassigned Balance

The District had a deficit unassigned balance of \$7,750 in the Student Activity Fund at June 30, 2011.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 180,276	124,808
Change in fund type classification per implementation of GASB Statement No. 54	124,808	(124,808)
Balances July 1, 2010, as restated	<u>\$ 305,084</u>	<u>-</u>

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 2,115,365	59,793	2,175,158	2,325,960	2,325,960	(150,802)
State sources	1,516,565	1,297	1,517,862	2,869,317	2,869,317	(1,351,455)
Federal sources	193,575	83,807	277,382	197,000	197,000	80,382
Total revenues	3,825,505	144,897	3,970,402	5,392,277	5,392,277	(1,421,875)
Expenditures/Expenses:						
Instruction	2,785,549	0	2,785,549	2,825,716	2,825,716	40,167
Support services	1,078,717	6,689	1,085,406	2,617,419	2,617,419	1,532,013
Non-instructional programs	0	141,283	141,283	159,890	159,890	18,607
Other expenditures	409,690	0	409,690	529,524	529,524	119,834
Total expenditures/expenses	4,273,956	147,972	4,421,928	6,132,549	6,132,549	1,710,621
Deficiency of revenues under expenditures/expenses	(448,451)	(3,075)	(451,526)	(740,272)	(740,272)	288,746
Other financing sources(uses), net	416,115	0	416,115	0	0	416,115
Deficiency of revenues and other financing sources(uses) under expenditures/expenses	(32,336)	(3,075)	(35,411)	(740,272)	(740,272)	704,861
Balance beginning of year	928,076	38,027	966,103	1,026,573	1,026,573	(60,470)
Balance end of year	\$ 895,740	34,952	930,692	286,301	286,301	644,391

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 215,000	\$ 215,000	0.00%	\$ 1,879,865	11.44%
2011	July 1, 2009	0	215,000	215,000	0.00%	1,579,577	13.61%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 129,601	71,210	200,811
Receivables:			
Property tax:			
Delinquent	184	0	184
Succeeding year	50,000	0	50,000
Total Assets	\$ 179,785	71,210	250,995
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 50,000	0	50,000
Total liabilities	50,000	0	50,000
Fund balances:			
Restricted for:			
Management levy purposes	129,785	0	129,785
Student activities	0	78,960	78,960
Unassigned Fund Balance	0	(7,750)	(7,750)
Total fund balances	129,785	71,210	200,995
Total Liabilities and Fund Balances	\$ 179,785	71,210	250,995

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 9,372	0	9,372
Other	7,996	130,520	138,516
Total revenues	17,368	130,520	147,888
Expenditures:			
Current:			
Instruction:			
Regular	1,615	0	1,615
Other	0	135,618	135,618
Support services:			
Operation and maintenance of plant	94,836	0	94,836
Total expenditures	96,451	135,618	232,069
Deficiency of revenues under expenditures	(79,083)	(5,098)	(84,181)
Fund balances beginning of the year, as restated	208,868	76,308	285,176
Fund balances end of year	\$ 129,785	71,210	200,995

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 101,139	82,729	183,868
Receivables:			
Property tax:			
Delinquent	0	327	327
Succeeding year	0	49,733	49,733
Income surtax	0	46,787	46,787
Due from other governments	99,451	0	99,451
Total Assets	\$ 200,590	179,576	380,166
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	49,733	49,733
Income surtax	0	46,787	46,787
Total liabilities	0	96,520	96,520
Fund balances:			
Restricted for:			
School infrastructure	200,590	0	200,590
Physical plant and equipment	0	83,056	83,056
Total fund balances	200,590	83,056	283,646
Total Liabilities and Fund Balances	\$ 200,590	179,576	380,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 196,752	59,427	256,179
Other	27	153	180
Total revenues	<u>196,779</u>	<u>59,580</u>	<u>256,359</u>
Expenditures:			
Current:			
Instruction:			
Regular	416,115	12,143	428,258
Other expenditures:			
Facilities acquisitions	3,470	89,189	92,659
Total expenditures	<u>419,585</u>	<u>101,332</u>	<u>520,917</u>
Deficiency of revenues under expenditures	(222,806)	(41,752)	(264,558)
Other financing sources(uses)			
Proceeds from computer leases	416,115	0	416,115
Transfer out	(172,995)	0	(172,995)
Total other financing sources(uses)	<u>243,120</u>	<u>0</u>	<u>243,120</u>
Net change in fund balances	20,314	(41,752)	(21,438)
Fund balances beginning of year, as restated	<u>180,276</u>	<u>124,808</u>	<u>305,084</u>
Fund balances end of year	<u>\$ 200,590</u>	<u>83,056</u>	<u>283,646</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance Change	Balance End of Year
Drama	\$ 4,332	1,618	1,926	0	4,024
Inst/vocal trip	4,360	4,513	2,825	0	6,048
High school vocal fund	254	321	672	0	(97)
Future business leaders of America	604	21	0	0	625
Athletic resale	675	9,173	7,716	0	2,132
Athletic non resale	2,287	8,416	36,531	18,175	(7,653)
Athletic gate receipts	4,582	30,551	3,230	(18,175)	13,728
P.C. fund	361	266	0	0	627
Student interest	1,079	0	1,079	0	0
Student petty cash	25	21	0	0	46
Home ec resale	642	21	280	0	383
Student council	2,461	921	1,392	0	1,990
TAG	1,250	93	13	0	1,330
Cheerleading	939	4,515	4,026	0	1,428
Dance squad	83	542	495	0	130
National honor society	1,500	2,588	2,581	0	1,507
Spanish club	1,568	21	0	0	1,589
Athletics candy fundraiser	0	132	0	0	132
JH miscellaneous	1,861	21	0	0	1,882
Annual 2008-09	1,018	21	32	0	1,007
Class of 2010	457	0	0	(457)	0
Class of 2011	6,003	0	0	(6,003)	0
Class of 2012	1,921	7,558	4,248	0	5,231
Class of 2013	240	2,158	25	0	2,373
Class of 2014	0	546	0	457	1,003
Class of 2015	0	18,762	24,454	6,003	311
Trojan annual	4,915	7,174	7,913	0	4,176
FFA	14,299	16,457	19,543	0	11,213
Horticulture	3,200	2,286	2,580	0	2,906
Instrument resale	2,880	177	820	0	2,237
Vo Ag resale	630	21	0	0	651
Elementary wrestling	4,166	1,745	4,346	0	1,565
Elementary fund raisers	7,716	9,861	8,891	0	8,686
Total	\$ 76,308	130,520	135,618	0	71,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,799,952	1,710,225	1,589,720	1,480,082	1,558,501	1,505,041	1,500,142	1,301,036
Tuition	114,737	55,460	45,330	99,472	71,744	97,048	83,664	82,026
Other	200,676	210,029	239,005	235,323	292,229	271,836	237,375	374,256
State sources	1,516,565	1,419,810	1,757,254	1,685,116	1,579,975	1,602,663	1,464,820	1,389,719
Federal sources	193,575	289,583	139,586	122,882	126,530	133,778	106,165	146,322
Total	<u>\$ 3,825,505</u>	<u>3,685,107</u>	<u>3,770,895</u>	<u>3,622,875</u>	<u>3,628,979</u>	<u>3,610,366</u>	<u>3,392,166</u>	<u>3,293,359</u>
Expenditures:								
Instruction:								
Regular	\$ 1,742,665	1,359,485	1,358,594	1,378,382	1,273,126	1,159,799	1,263,162	1,187,384
Special	362,728	406,540	404,524	489,216	485,136	491,618	411,429	466,193
Other	680,156	619,654	584,454	368,264	378,135	340,554	392,457	366,542
Support services:								
Student	3,200	5,138	1,754	18,750	31,031	57,696	55,533	53,985
Instructional staff	28,838	47,860	49,453	57,315	62,312	65,420	25,097	21,535
Administration	403,479	300,081	368,835	383,751	323,994	335,427	380,622	364,691
Operation and maintenance of plant	407,071	375,102	358,536	364,777	330,843	316,066	294,170	271,571
Transportation	236,129	241,110	234,187	219,808	272,527	200,568	228,497	211,904
Non-instructional programs	0	150	0	7,608	19,554	20,641	32,054	23,742
Other expenditures:								
Facilities acquisition	92,659	76,121	217,403	190,462	157,535	92,957	54,543	56,246
Long-term debt:								
Principal	155,000	150,000	145,000	140,000	135,000	130,000	125,000	130,000
Interest	35,940	40,390	44,392	50,563	55,743	59,867	65,268	61,134
AEA flowthrough	126,091	126,997	119,869	114,659	110,869	106,737	106,686	108,892
Total	<u>\$ 4,273,956</u>	<u>3,748,628</u>	<u>3,887,001</u>	<u>3,783,555</u>	<u>3,635,805</u>	<u>3,377,350</u>	<u>3,434,518</u>	<u>3,323,819</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tri-County Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Finding as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Finding as items I-B-11, I-C-11, and I-D-11 to be significant deficiencies.

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2012

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District will review its procedures.

Conclusion - Response accepted.

I-B-11 Timely Deposits - We noted that the Student Activity Fund and the Nutrition Fund are not depositing their receipts in a timely matter. The Student Activity Fund is depositing receipts twice a month, while the Nutrition Fund is only depositing receipts once a month.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - All receipts will be deposited in a timely manner.

Conclusion - Response accepted.

I-C-11 Payroll Tax Reporting - We noted three instances when the payroll taxes were paid in excess of the payroll liability.

Recommendation - The District should be remitting the appropriate amount for payroll liability.

Response - This will not happen in the future.

Conclusion - Response accepted.

I-D-11 Shared Employment Contracts - We noted during our audit, that the District has a shared employment agreement with surrounding districts. Instead of recording all revenues and expenses associated with the agreement at gross, the Districts are netting the revenues and expenses. In this way, neither District is showing the correct total cost and total revenue associated with the agreement.

Recommendation - In the future, the District should code the actual expenditures and then record the revenue as a shared program revenue, rather than netting the cost.

Response - The District will code the shared employees correct.

Conclusion - Response accepted.

TRI-COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.
- II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Schroeder, Board Member Spouse owns Schroeder's Service	Repairs	\$431
Jody Schroeder, Board Member Father-in-law owns Schroeder Frame	Repairs	\$85
Bardette Ogden, Board Member Spouse owns Ogden Oil Company	Fuel	\$69,852

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

- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-11 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	180,276
Revenues:			
Sales Tax Revenues	\$	196,752	
Other Local Revenues		27	
Sale of Long-Term Debt		416,115	612,894
			<u>793,170</u>
Expenditures/transfers out:			
Equipment	\$	416,115	
Other		3,470	
Transfers to Other Funds:			
Debt Service Fund		172,995	592,580
			<u>592,580</u>
Ending balance		\$	<u>200,590</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 1.80628	\$ 172,995

II-M-11 Apple Computer Lease - We noted during our audit that the District entered into an Apple Computer Lease, however, the lease was not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District, to be in compliance with the Code of Iowa.

Response - The board president will sign all future contracts.

Conclusion - Response accepted.

II-N-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Pop Can Fund: We noted during our audit that fees collected and subsequent expenditures for the pop can fund were being conducted through the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund to ensure recording in the proper fund.

Response - The District will monitor more closely.

Conclusion - Response accepted.

Negative Student Account Balances: We noted two activity accounts with negative account balances totaling \$7,750.

Recommendation - The District should continue to monitor these negative accounts and investigate alternatives to eliminate the deficits. The District should put additional approval requirements in place for spending in the deficit accounts.

Response - The District will monitor accounts more closely.

Conclusion - Response accepted.