

**Tri County Area Schools
Sand Lake, Michigan**

FINANCIAL STATEMENTS

June 30, 2009

Tri County Area Schools

Sand Lake, Michigan

BOARD OF EDUCATION

June 30, 2009

Robert Cichewicz	President
Mike Bergman	Vice-President
Janet Powell	Secretary
Mary Inman	Trustee
Curt Kellogg	Trustee
Brian Corwin	Trustee
Chad Dailey	Trustee

James Scholten	Superintendent
Tamera Powers	Business Manager

Tri County Area Schools

TABLE OF CONTENTS

June 30, 2009

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-x
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
Statement of Assets and Liabilities - Fiduciary Fund	10
Notes to Financial Statements	11-24
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	25-26
Schedule of Revenues and Other Financing Sources - Budget and Actual	27
Schedule of Expenditures and Other Financing Uses - Budget and Actual	28-33
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	34-35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	36-37
Combining Statement of Net Assets - Proprietary Funds	38
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	39
Combining Statement of Cash Flows - Proprietary Funds	40

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Tri County Area Schools
Sand Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Tri County Area Schools (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tri County Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that 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 major fund, and the aggregate remaining fund information of Tri County Area Schools as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2009 on our consideration of Tri County Area Schools' 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 and 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.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. 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. However, 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 Area Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 18, 2009

This section of Tri County Area Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Tri County Area Schools, a K-12 school district located in Montcalm County, Kent County, and Newaygo County, Michigan. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Tri County Area Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2009.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tri County Area Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund individually, and the Special Revenue Funds, Debt Service Funds and Capital Project Funds collectively as nonmajor governmental funds. The remaining statements, the Statement of Fiduciary Net Assets present financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-Wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food service. Property taxes, unrestricted State Aid (foundation allowance revenue), State and Federal grants, and other local dollars finance most of these activities.

The district-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the district-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds, the Special Revenue (School Service) Funds which are comprised of Food Service and Athletics, and Capital Project Funds.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Financial Activities:

The recent good health of the District's finances can be credited to the following innovative approaches during a time of restricted state funding due to a weak economy and significant tax reductions at the state level:

- The continued funding of fund balance designation at the fund financial statement level for future sick day and years of service payouts.
- Utilization of a total cost compensation approach for the negotiation of employee contracts with the District's six employee groups.
- The establishment of energy savings guidelines.
- Cautious usage of the District's financial and material resources.
- The entire District's team approach to improving our District while safeguarding the financial future of the District.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2009.

Condensed Statement of Net Assets
as of June 30, 2008 and 2009

	Governmental Activities <u>2008</u>	Governmental Activities <u>2009</u>
Assets		
Current Assets	\$ 7,919,789	\$ 8,131,759
Noncurrent Assets	<u>14,072,869</u>	<u>13,710,401</u>
Total Assets	21,992,658	21,842,160
Liabilities		
Current Liabilities	2,699,695	2,800,748
Long-Term Liabilities	<u>8,932,243</u>	<u>8,214,479</u>
Total Liabilities	11,631,938	11,015,227
Net Assets		
Invested in capital assets, net of related debt	5,065,287	5,477,366
Restricted	339,091	353,979
Unrestricted	<u>4,956,342</u>	<u>4,995,588</u>
Total Net Assets	<u>\$ 10,360,720</u>	<u>\$ 10,826,933</u>

Analysis of Financial Position:

As detailed above, the District shows a positive total net asset value of \$10,826,933 for the fiscal year ended June 30, 2009. This statement has been affected by the following factors:

- Capital assets reduced by a net of \$362,468 due to a greater amount of depreciation of assets than capital outlay purchases.
- Retirement of bond and loan principal and other debt activity decreased the District's liabilities by a net \$756,820.
- The District is also providing a HRA and self-funded prescription program to custodial/maintenance and non-union staff. As of June 30, 2009, a balance of \$0 existed in this account. However, it is not reflective of the annual cost/savings since the plan is based on the calendar year not the District's fiscal year.
- The change in net assets was \$466,213 due to a combination of paying off long-term debt and carefully monitoring spending during uncertain state funding periods.

Results of Operations:

For the fiscal year ended June 30, 2008 and 2009, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2008 and 2009

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2009</u>
Revenues:		
Program Revenues		
Charges for Services	\$ 555,486	\$ 563,873
Operating and Capital Grants	1,862,861	2,237,752
General Revenues		
Property Taxes	3,154,017	3,178,672
State School Aid-unrestricted	15,184,138	14,599,474
Other	<u>564,742</u>	<u>1,366,933</u>
Total Revenues	21,321,244	21,946,704
Functions/Program Expenses:		
Instruction	12,262,162	12,825,042
Supporting services	6,177,050	6,403,913
Community services	22,720	25,553
Food service	741,119	797,404
Athletics	367,245	461,539
Interest on long-term debt	395,499	359,027
Unallocated depreciation	<u>584,291</u>	<u>608,013</u>
Total Expenses	<u>20,550,086</u>	<u>21,480,491</u>
Increase in Net Assets	<u>\$ 771,158</u>	<u>\$ 466,213</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2009 the District’s net assets increased by \$466,213. Several factors that helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District’s revenues from governmental fund operations exceeded expenditures by \$70,863 for the fiscal year ended June 30, 2009. Further discussion of the District’s operating results is available in the section entitled “Results of 2008-2009 Operations” located on the following pages.

B. Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2008-09, district assets depreciated in the amount of \$608,013, causing a reduction in net district assets.

C. Long-Term Debt Activities

The District reduced its long-term debt obligation during 2008-2009 by making principal payments and having other debt activity amounting to \$774,547. Accrued compensated absences increased by a net \$17,727.

Results of 2008-2009 Operations

During fiscal year ended June 30, 2009, the District net assets increased by \$466,153 at the district-wide level. A few additional significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Tri County Area Schools such as: Salaries and benefits for Teachers, Classroom Paraprofessionals, Administrators, Secretaries, Accounting Staff, Custodial/Maintenance Staff, Media Specialists, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District’s revenues from General Fund operations exceeded expenditures by \$209,567 for the fiscal year ended June 30, 2009. The General Fund as of June 30, 2009, has a fund balance of \$4,633,761 or 23.5% of expenditures and other financing uses for the 2008-2009 fiscal year. It is essential for the District to maintain an appropriate fund balance to insure adequate cash flow through out the year. The District levies operational taxes December 1, which is five months after the beginning of the fiscal year. Many of the savings made throughout the District are a result of efficient uses of the District’s resources by all employees.

B. Debt Service Fund Operations

The Debt Service Funds consist of three separate debt funds as follows: 1999 Debt, 2003 Bond Refunding, and 2005 Bond Refunding. The Debt Service Funds are set up to collect taxes and pay annual debt payments. At June 30, 2009, the Debt Service Funds had \$424,758 in fund equity available for future bond payments.

The District also had Durant resolution bonds and compensated absences outstanding at June 30, 2009, which totaled \$82,725 and \$825,918, respectively.

The District has the following principal balance on bonded long-term debt obligations:

	<u>Principal Balance June 30, 2009</u>
2003 Refunding Bonds	\$ 5,585,000
2005 Refunding Bonds	<u>2,720,000</u>
Total long-term bond obligations	<u>\$ 8,305,000</u>

C. School Service Funds

The Tri County Area Schools also has school service funds that include the following: Food Service Fund and Athletics Fund.

The Food Service Fund is a fund that reports the food service program activities. In 2008-2009, the Food Service Fund had revenues of \$829,668 and expenditures of \$802,921. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service Fund had a fund balance of \$108,597. The fund balance increased \$26,747 due to the efficiencies of the Food Service program.

The Athletics Fund includes costs for high school and middle school athletic programs including the cost for coaches, officials, supplies, tournaments, and miscellaneous. Transportation and indirect costs are accounted for in the Athletic Fund. In 2008-2009, the Athletics Fund had revenues and other financing sources of \$479,017 and expenditures of \$461,465. The Athletics Fund generated \$90,857 in revenues from gate receipts, passes, fees, donations, and other miscellaneous items. The Athletics Fund must have a balanced budget and the District contributed \$388,160 from the General Fund to balance the fund. The Athletics Fund had a fund balance of \$24,740.

D. Net Investment in Capital Assets

The District's net investment in capital assets decreased by \$362,468 during the fiscal year. This can be summarized as follows:

	<u>Balance June 30, 2008</u>	<u>Net Change</u>	<u>Balance June 30, 2009</u>
Capital assets	\$23,486,285	\$(83,613)	\$23,402,672
Less: accumulated depreciation	<u>(9,413,416)</u>	<u>(278,855)</u>	<u>(9,692,271)</u>
Net investment in capital outlay	<u>\$14,072,869</u>	<u>\$(362,468)</u>	<u>\$13,710,401</u>

Various vehicles, buses, and other furniture and equipment was disposed of during the 2008-09 year. The District also added classroom furniture, other improvements, vehicles, and equipment during the 2008-09 year.

IMPORTANT ECONOMIC FACTORS

A. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead property valuation

B. Per Student Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The Tri County Area Schools foundation allowance was \$7,316 per student for the 2008-2009 school year. Due to the voters approval of the operational millage of 18 mills the District received the entire \$7,316 per student.

C. Student Enrollment

The District's student enrollment for the fall count of 2008-2009 was 2468.2 students. The District's enrollment has been slightly increasing for the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2008-2009	2,468	0
2007-2008	2,468	36
2006-2007	2,432	21
2005-2006	2,411	53
2004-2005	2,358	3
2003-2004	2,355	(10)

D. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levied 18.0000 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2008-2009 fiscal year was \$2,046,809. The non-homestead tax levied revenue increased by 0.3% over the prior year.

E. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2008-2009, the District's debt millage levy was 2.8989 mills, a decrease of 2.6%, which generated revenue of \$1,131,553.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2008-2009	\$19,760,720	\$19,745,670	\$19,664,063	0.5%	0.4%
2007-2008	\$19,083,140	\$19,289,760	\$19,033,930	0.3%	1.3%

General Fund Revenues and Other Sources, Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2008-2009	\$19,161,960	\$19,920,630	\$19,873,630	3.7%	(0.2%)
2007-2008	\$18,657,080	\$19,359,930	\$19,359,880	3.8%	0.0%

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Tri County Area Schools amends its budget periodically during the school year. The June 30, 2009 budget amendment was the final budget for the fiscal year.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$19,760,720	100.0
Total Expenditures Final Budget	<u>19,745,670</u>	<u>99.9</u>
Decrease in Budget Expenditures	<u>\$ 15,050</u>	<u>0.1</u>

The District's actual expenditures were less than the final budget by \$81,607 or 0.4 percent.

Some of the significant changes in expenditure budgets for the year include:

- Increase in instructional supplies and textbooks
- Changes in staffing needs due to special education and compensatory education student needs
- The district's expenditures increased a total of \$630,473 of which \$584,744 were instructional expenditures.
- During the 07-08 year 68.8% of the expenditures were instructional and pupil support compared to the 08-09 year which 69.9% of the expenditures were instructional and pupil support.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$19,161,960	100.0
Total Revenues Final Budget	<u>19,920,630</u>	<u>104.0</u>
Increase in Budget Revenues	<u>\$ 758,670</u>	<u>4.0</u>

The District's final actual general fund revenues were less than the final budget by \$47,000, a variance of 0.02% from the final budget.

The Final revenue budget reflects the following changes from the Original Budget.

- Local sources budget increased by \$95,530 due to increased revenues from property values, tuition, and charges for service however, transportation fees and interest income decreased.
- State aid decreased by \$571,170 decrease in state aid however the district did receive an increase in state aid restricted funds due to an increase in the number of students whose household incomes were below poverty level.
- Federal funds increased due to the ARRA Stabilization funds that were distributed to the district in lieu of State Aid and IDEA ARRA funds which were received through the intermediate school district.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2010 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2010 fiscal year is 25 percent and 75 percent of the February 2009 and September 2009 student counts, respectively. The 2010 fiscal year budget was adopted in June 2009, based on an estimate of students that will be enrolled in September 2009. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2009-2010 school year, we anticipate that the fall student count will be lower than the estimates used in creating the 2009 fiscal year final budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact Tamera L. Powers, Business Manager, Tri County Area Schools, 94 Cherry Street, Sand Lake, Michigan 49343.

BASIC FINANCIAL STATEMENTS

Tri County Area Schools
STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 4,513,413
Accounts receivable	48,677
Prepays	18,526
Due from other governmental units	3,422,658
Inventory	<u>128,485</u>
Total current assets	8,131,759
Noncurrent assets	
Capital assets not being depreciated	756,211
Capital assets, net of accumulated depreciation	<u>12,954,190</u>
Total noncurrent assets	<u>13,710,401</u>
TOTAL ASSETS	21,842,160
LIABILITIES	
Current liabilities	
Accounts payable	30,108
Accrued payroll	1,015,995
Accrued interest payable	52,654
Other accrued liabilities	665,967
Due to other governmental units	164,545
Unearned revenue	8,880
Current portion of compensated absences	62,643
Current portion of long-term debt	<u>799,956</u>
Total current liabilities	2,800,748
Noncurrent liabilities	
Accrued interest payable	18,125
Noncurrent portion of compensated absences	763,275
Noncurrent portion of long-term debt	<u>7,433,079</u>
Total noncurrent liabilities	<u>8,214,479</u>
TOTAL LIABILITIES	11,015,227
NET ASSETS	
Invested in capital assets, net of related debt	5,477,366
Restricted for debt service	353,979
Unrestricted	<u>4,995,588</u>
TOTAL NET ASSETS	<u>\$ 10,826,933</u>

See accompanying notes to financial statements.

Tri County Area Schools
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
Functions/Programs		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Instruction	\$ 12,825,042	\$ 134,507	\$ 1,672,339	\$ -	\$ (11,018,196)
Supporting services	6,403,913	22,270	10,974	-	(6,370,669)
Community services	25,553	32,146	-	-	6,593
Food services	797,404	285,269	543,576	-	31,441
Athletics	461,539	89,681	-	-	(371,858)
Interest on long-term debt	359,027	-	-	10,863	(348,164)
Unallocated depreciation	608,013	-	-	-	(608,013)
TOTAL EXPENSES	\$ 21,480,491	\$ 563,873	\$ 2,226,889	\$ 10,863	(18,678,866)
General Revenues					
Property taxes					3,178,672
State school aid - unrestricted					14,599,474
ARRA Stabilization funds					915,570
Special Education county allocation					232,325
Investment earnings					45,810
Miscellaneous					173,228
TOTAL GENERAL REVENUES					19,145,079
CHANGE IN NET ASSETS					466,213
Net assets, beginning of year					10,360,720
Net assets, end of year					\$ 10,826,933

See accompanying notes to financial statements

Tri County Area Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 3,204,946	\$ 843,899	\$ 4,048,845
Accounts receivable	48,632	45	48,677
Prepays	18,301	225	18,526
Due from other governmental units	3,418,340	4,318	3,422,658
Inventory	111,377	17,108	128,485
	<u>111,377</u>	<u>17,108</u>	<u>128,485</u>
TOTAL ASSETS	<u><u>\$ 6,801,596</u></u>	<u><u>\$ 865,595</u></u>	<u><u>\$ 7,667,191</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 20,052	\$ 552	\$ 20,604
Accrued payroll	1,015,995	-	1,015,995
Other accrued liabilities	664,594	1,373	665,967
Due to other funds	301,670	18,076	319,746
Due to other governmental units	164,545	-	164,545
Deferred revenue	979	7,901	8,880
	<u>979</u>	<u>7,901</u>	<u>8,880</u>
TOTAL LIABILITIES	2,167,835	27,902	2,195,737
FUND BALANCES			
Reserved for			
Inventory and prepaids	129,678	17,333	147,011
Debt service	-	424,758	424,758
Unreserved			
Undesignated, reported in			
General fund	4,504,083	-	4,504,083
Special revenue funds	-	116,004	116,004
Capital project funds	-	279,598	279,598
	<u>-</u>	<u>279,598</u>	<u>279,598</u>
TOTAL FUND BALANCES	<u>4,633,761</u>	<u>837,693</u>	<u>5,471,454</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,801,596</u></u>	<u><u>\$ 865,595</u></u>	<u><u>\$ 7,667,191</u></u>

See accompanying notes to financial statements.

Tri County Area Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS

June 30, 2009

Total fund balance - governmental funds \$ 5,471,454

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 23,402,672	
Accumulated depreciation is	<u>(9,692,271)</u>	
		13,710,401

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt	154,690
---------------------------	---------

Long-term liabilities that are not included in a proprietary fund at the fund level and are not due and payable in the current period are not reported as liabilities in the funds. The applicable long-term liabilities at year-end consist of:

Bonds and loans payable	8,387,725	
Accrued interest payable	70,779	
Applicable portion of compensated absences	<u>51,108</u>	
		<u>(8,509,612)</u>

Net assets of governmental activities \$ 10,826,933

See accompanying notes to financial statements.

Tri County Area Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2009

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 2,299,330	\$ 1,518,634	\$ 3,817,964
State sources	15,760,304	38,403	15,798,707
Federal sources	1,438,054	516,037	1,954,091
TOTAL REVENUES	19,497,688	2,073,074	21,570,762
EXPENDITURES			
Current			
Instruction	12,804,086	-	12,804,086
Supporting services	6,430,089	-	6,430,089
Community services	25,549	-	25,549
Facilities services	15,446	-	15,446
Food service	-	797,276	797,276
Athletics	-	461,465	461,465
Capital outlay	-	202,890	202,890
Debt service			
Principal retirement	-	788,609	788,609
Interest, fiscal and other charges	-	349,698	349,698
TOTAL EXPENDITURES	19,275,170	2,599,938	21,875,108
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	222,518	(526,864)	(304,346)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	388,160	388,160
County special education allocation	232,325	-	232,325
Other transactions	143,617	-	143,617
Transfers to other funds	(388,160)	-	(388,160)
Other	(733)	-	(733)
TOTAL OTHER FINANCING SOURCES (USES)	(12,951)	388,160	375,209
NET CHANGE IN FUND BALANCES	209,567	(138,704)	70,863
Fund balances, beginning of year	4,424,194	976,397	5,400,591
Fund balances, end of year	<u>\$ 4,633,761</u>	<u>\$ 837,693</u>	<u>\$ 5,471,454</u>

See accompanying notes to financial statements.

Tri County Area Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 70,863

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 245,545	
Depreciation expense	<u>(608,013)</u>	
Excess of depreciation expense over capital outlay		(362,468)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds		(18,162)
--	--	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Bond and loan principal retirement	788,609	
Amortization of deferred amounts on debt refunding	<u>(14,062)</u>	
		774,547

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	4,733	
Change in governmental activities reporting of compensated absences	<u>(3,300)</u>	
		<u>1,433</u>

Change in net assets of governmental activities \$ 466,213

See accompanying notes to financial statements.

Tri County Area Schools
Proprietary Funds - Internal Service Funds

STATEMENT OF NET ASSETS

June 30, 2009

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 464,568
Due from other funds	319,746
TOTAL ASSETS	784,314
LIABILITIES	
Current liabilities	
Accounts payable	9,504
Compensated absences	62,643
Total current liabilities	72,147
Noncurrent liabilities	
Compensated absences	712,167
TOTAL LIABILITIES	784,314
NET ASSETS	
Unrestricted	\$ -0-

See accompanying notes to financial statements.

Tri County Area Schools

Proprietary Funds - Internal Service Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2009

	<u>Governmental Activities</u>
OPERATING REVENUES	
Charges for services	\$ 214,963
OPERATING EXPENSES	
Fringe benefits	<u>239,821</u>
OPERATING LOSS	(24,858)
NONOPERATING REVENUES	
Interest revenue	<u>6,696</u>
CHANGE IN NET ASSETS	(18,162)
Net assets, beginning of year	<u>18,162</u>
Net assets, end of year	<u><u>\$ -0-</u></u>

See accompanying notes to financial statements.

Tri County Area Schools
 Proprietary Funds - Internal Service Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	<u>Governmental Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 214,963
Cash paid for employees and retiree benefits	<u>(345,164)</u>
NET CASH USED BY OPERATING ACTIVITIES	(130,201)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>6,696</u>
NET DECREASE IN CASH	(123,505)
Cash, beginning of year	<u>588,073</u>
Cash, end of year	<u><u>\$ 464,568</u></u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (24,858)
Adjustments to reconcile operating loss to cash used by operating activities	
(Decrease) in accounts payable	(12,286)
(Increase) in due from other funds	(107,484)
Increase in compensated absences	<u>14,427</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (130,201)</u></u>

See accompanying notes to financial statements.

Tri County Area Schools

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2009

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 138,391</u>
LIABILITIES	
Due to student groups	<u>\$ 138,391</u>

See accompanying notes to financial statements.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Tri County Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Tri County Area Schools (primary government). The District has no activities that would be classified as component units.

Based upon the application of these criteria, the financial statements of the District contain all the funds controlled by the District.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All nonfiduciary activities of the District are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

The major fund of the District is:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary agency fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted to the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. The Superintendent is authorized to transfer budgeted amounts for purposes of meeting emergency needs of the District; however, these transfers must be approved subsequently by the Board of Education.
- f. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- g. The budget, as presented, has been amended in a legally permissible manner. Three (3) supplemental appropriations were made during the year with the last approved June 29, 2009.

6. Cash

Cash consist of checking accounts.

7. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventory

Inventory is stated at cost on a first in/first out basis. The General Fund inventory consists of office and transportation supplies. The Food Services Fund inventory consists of food and paper goods. Inventory amounts are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

9. Due From Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs and State Aid payments. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2009 to be paid in July and August 2009. Of the total amount of \$3,422,658 due from other governmental units, \$2,125,486 consists of State Aid, and the remaining \$1,297,172 from grants and local programs.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment, and buses and other and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 except for new computers, printers, data projectors and televisions which have no cost threshold and all new classrooms (recorded at total content cost) and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Buses and other vehicles	8 years
Furniture and equipment	5 - 20 years

11. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the Internal Service (Retirement Payout) Fund and in the district-wide financial statements. The liability for accumulated vested vacation amounts are recorded as a liability in the district-wide financial statements.

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements in two components: the portion of accrued interest payable that is due within one year is reported as a current liability, the remaining amount that is not due within one year has been reported as a noncurrent liability. The interest payable on the Durant Resolution Bonds that were due May 15, 2003 through May 15, 2005 and May 15, 2007 through May 15, 2008 is shown as a noncurrent liability due to the State of Michigan deferring payments during this time period until May 15, 2013.

13. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on most nonprimary residency exempt property and \$6.00 per \$1,000 of taxable valuation on commercial personal property for general governmental services and \$2.8989 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service. The District is also permitted to levy additional amounts for enhancement and/or debt service if voter approval is obtained.

15. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2009, the foundation allowance was based on the average of pupil membership counts taken in September 2008 and February 2008. The average calculation was weighted 75% for the September 2008 count and 25% for the February 2008 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payment made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

16. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

17. Federal Programs

Federal programs are accounted for in the specific governmental funds to which they relate. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or National bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or Federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for interest-bearing savings deposits and \$250,000 for interest-bearing demand deposits. FDIC insurance coverage through its Transaction Account Insurance Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent) NOW accounts. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, the carrying amount of the District's deposits was \$4,651,804 and the bank balance was \$4,932,267, all of which was fully insured by federal depository insurance.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B: CASH - CONTINUED

Concentration of credit risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial credit risk. Custodial credit risk is the risk of loss due to the failure of the security issuer broker or backer. The Board policy limits investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the Board approved policy.

As of June 30, 2009, the cash referred to above have been reported in the cash caption in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	<u>\$ 4,513,413</u>	<u>\$ 138,391</u>	<u>\$ 4,651,804</u>

Due to significantly higher cash flow at certain periods during the year, the amount the District held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated				
Land	\$ 756,211	\$ -	\$ -	\$ 756,211
Capital assets being depreciated				
Buildings and improvements	19,892,916	20,227	-	19,913,143
Buses and other vehicles	1,617,242	7,075	(237,174)	1,387,143
Furniture and equipment	<u>1,219,916</u>	<u>218,243</u>	<u>(91,984)</u>	<u>1,346,175</u>
Subtotal	22,730,074	245,545	(329,158)	22,646,461
Less accumulated depreciation for:				
Buildings and improvements	(7,346,271)	(420,530)	-	(7,766,801)
Buses and other vehicles	(1,209,747)	(89,062)	235,740	(1,063,069)
Furniture and equipment	<u>(857,398)</u>	<u>(57,529)</u>	<u>52,526</u>	<u>(862,401)</u>
Subtotal	<u>(9,413,416)</u>	<u>(567,121)</u>	<u>288,266</u>	<u>(9,692,271)</u>
Net capital assets being depreciated	<u>13,316,658</u>	<u>(321,576)</u>	<u>(40,892)</u>	<u>12,954,190</u>
Capital assets, net	<u>\$14,072,869</u>	<u>\$ (321,576)</u>	<u>\$ (40,892)</u>	<u>\$13,710,401</u>

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE C: CAPITAL ASSETS - CONTINUED

The current year depreciation expense of \$567,121 has been adjusted by \$40,892 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses be handled as an adjustment to the current period's depreciation expense.

Total depreciation expense of \$608,013 was not allocated to governmental functions. The expense appears on the statement of activities as "unallocated".

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2009 are as follows:

Due to internal service fund from:	
General fund	\$ 301,670
Nonmajor governmental funds	<u>18,076</u>
	<u>\$ 319,746</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General fund	<u>\$ 388,160</u>

The purpose of this transfer was to cover operational costs related to the District's athletics activities.

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2009.

	Balance <u>July 1, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
Bonded Debt	\$ 9,176,334	\$ -	\$ 788,609	\$ 8,387,725	\$ 814,018
Compensated Absences	709,207	54,068	-	763,275	-
Post-Employment Compensated Absences	<u>98,984</u>	<u>62,643</u>	<u>98,984</u>	<u>62,643</u>	<u>62,643</u>
	9,984,525	116,711	887,593	9,213,643	876,661
Less: deferred amounts on refunding	<u>168,752</u>	<u>-</u>	<u>14,062</u>	<u>154,690</u>	<u>14,062</u>
	<u>\$ 9,815,773</u>	<u>\$ 116,711</u>	<u>\$ 873,531</u>	<u>\$ 9,058,953</u>	<u>\$ 890,723</u>

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

Advanced Refunding - Prior

On April 19, 2005 the District defeased a portion of the 1999 School Building and Site General Obligation Bonds, which are due and payable May 1, 2010 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The District issued 2005 Refunding Bonds in the amount of \$2,770,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay a portion of the remaining balances of the 1999 School Building and Site General Obligation Bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2009, bonds due and payable May 1, 2010 through May 1, 2020 for 1999 School Building and Site General Obligation Bonds in the amount of \$2,650,000 are considered defeased.

On March 18, 2003 the District defeased the portion of the 1993 School Building and Site Bonds which are due and payable May 1, 2003 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2003 Refunding Bonds in the amount of \$9,140,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2009, bonds due and payable May 1, 2010 through May 1, 2020 for the 1995 School Building and Site Bonds in the amount of \$5,740,000 are considered defeased.

General Obligation Bonds - The District has issued bonds to finance the acquisition, new construction, and remodeling of existing school facilities. The following summarizes significant details of the bonds payable outstanding at June 30, 2009:

\$9,140,000 Refunding Bonds dated March 18, 2003, due in annual installments ranging from \$325,000 to \$585,000 through May 1, 2020 with interest ranging from 3.20 to 4.15 percent, payable semi-annually.	\$ 5,585,000
\$2,770,000 Refunding Bonds dated April 19, 2005, due in annual installments ranging from \$220,000 to \$265,000 through May 1, 2020 with interest ranging from 3.40 to 4.15 percent, payable semi-annually.	<u>2,720,000</u>
	8,305,000

Resolution Bonds

\$154,683 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from \$9,018 to \$54,363 with interest of 4.7615353 percent. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.	<u>82,725</u>
	<u>\$ 8,387,725</u>

Compensated Absences - These amounts consist of severance pay amounts, unused vacation, and amounts agreed to be paid as post-employment compensated absences per various agreements. Severance pay is the largest component of compensated absences and is detailed below. The other components, i.e., unused vacation and post-employment agreed to amounts, are based on other agreements and are detailed within those agreements.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

Severance Pay - In recognition of services to the District, a severance payment is made to eligible teachers and administrators with at least fifteen (15) years of service, and to eligible support staff with at least 5 years of continuous service according to their respective employment contracts as follows:

Teachers and Administrators hired before 1987

Eligible teachers and administrators will be paid one-half of the unused days at a daily rate of pay as of the day of retirement with no limit.

Administrators hired after 1987

Eligible administrators will be paid up to a maximum of 30 years at a rate of \$100 per year of service.

Teachers hired after 1987

Eligible teachers will be paid a lump sum payment of 2/3's of the short term substitute teacher daily rate for each unused personal illness day credited to their account.

Support staff

Eligible employees will be paid one-half of unused hours up to a maximum of one hundred and twenty days of accumulated sick leave at the hourly rate of pay upon retirement.

Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The amounts for employees who currently are not vested are calculated taking total unused sick pay amounts at June 30, 2009 for all nonvested employees and multiplying it by a historical termination percentage. This percentage is based on an estimate of the percentage of employees who have terminated employment fully vested in the past five (5) years.

A summary of the calculated amounts of compensated absences and related payroll taxes as of June 30, 2009, which has been recorded in the district-wide financial statements, is as follows:

	<u>Vested Employees</u>	<u>Nonvested Employees</u>	<u>Total</u>
Compensated absences	\$ 722,595	\$ 44,630	\$ 767,225
Payroll taxes	<u>55,279</u>	<u>3,414</u>	<u>58,693</u>
	<u>\$ 777,874</u>	<u>\$ 48,044</u>	<u>\$ 825,918</u>

The entire liability, except for \$51,108 related to vacation payable and its related payroll taxes, is recorded as a liability in the Internal Service Fund.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the Long-Term Debt are as follows:

<u>Year Ending June 30,</u>	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 9,018	\$ 1,844	\$ 805,000	\$ 314,536
2011	9,448	1,415	805,000	198,516
2012	9,897	965	790,000	260,496
2013	54,362	18,619	790,000	232,259
2014	-	-	780,000	203,219
2015-2019	-	-	3,745,000	572,341
2019-2020	-	-	590,000	24,486
	<u>\$ 82,725</u>	<u>\$ 22,843</u>	<u>\$ 8,305,000</u>	<u>\$ 1,805,853</u>

The Durant Resolution Bonds referred to above are bonds whose future debt service payments by the District are contingent on an annual State of Michigan appropriation. This is the only revenue source for making the annual debt service payments on these bonds. If the legislature of the State of Michigan fails to appropriate the funds, in any particular year, the District is under no obligation for payment of that year's debt obligation.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

Pension Plan Description and Funding Progress

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2008, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2009 was \$10,980,236 of which \$9,008,161 was for members who have elected the MIP option; the District's total payroll was \$11,598,549.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Pension Plan Description and Funding Progress - continued

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990 through June 30, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); and \$510 plus 4.3% of all wages over \$15,000. Employees first hired on or after July 1, 2008 are required to contribute based on a graduated rate: 3% of the first \$5,000 (up to \$150); \$150 plus 3.6% of \$5,001 through \$15,000 (up to \$510 total); and \$510 plus 6.4% of all wages over \$15,000.

For the period of July 1, 2008 to September 30, 2008, the District was required by State statute to contribute 16.72% of covered compensation for all wages to the Plan. For the period of October 1, 2008 to June 30, 2009, the District was required by State statute to contribute 16.54% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2009 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2009	\$ 353,773	\$ 1,820,720	\$ 2,174,493
2008	352,690	1,862,911	2,215,601
2007	337,347	1,867,941	2,205,288

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP Contributions</u>	<u>District Contributions</u>
2009	4.0 %	16.6 %
2008	4.0	17.0
2007	4.0	17.4

Other Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. A component of the employer contribution rate for the pension plan factors into it other postemployment benefits and is paid by the District.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2009:

General Fund	
Reserved for inventory and prepaids	\$ 129,678
Nonmajor governmental funds	
Food service	
Reserved for inventory and prepaids	17,108
Athletics	
Reserved for inventory and prepaids	<u>225</u>
	17,333
1999 Debt	
Reserved for debt service	43,683
2003 Bond Refunding	
Reserved for debt service	297,127
2005 Bond Refunding	
Reserved for debt service	<u>83,948</u>
	<u>424,758</u>
	<u>\$ 442,091</u>

NOTE I: RESTRICTED NET ASSETS

Restrictions of net assets shown in the district-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following is the net asset restriction as of June 30, 2009:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Debt service	<u>\$ 353,979</u>

NOTE J: FLEXIBLE BENEFITS PLAN

In December 2002 the District approved by Board action to implement a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The Plan, available to all eligible employees, who meet the eligibility requirements as set by the plan, permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments, medical expense reimbursement benefits, or dependent care benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The Plan is administered by BASIC.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE K: RISK MANAGEMENT

The District also participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, crime, boiler and machinery, employee dishonesty, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The District has not been informed of any special assessments being required.

NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past under funding of special education. Tri County Area Schools, a nonplaintiff District, was awarded \$309,366 in the settlement. The funds are being paid as follows:

- a. One-half is being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds were recorded within the General Fund as categorical State Aid. The year ended June 30, 2008 was the last year of payments of these funds.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE M: EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the District have been adopted at the functional level for the General Fund and the total expenditure level for the major Special Revenue Funds.

During the year ended June 30, 2009, the District incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General fund			
Basic needs	\$10,576,950	\$10,577,008	\$ 58
Community services	25,190	25,549	359
Nonmajor governmental funds			
Athletics	460,680	461,465	785

REQUIRED SUPPLEMENTARY INFORMATION

Tri County Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 2,274,790	\$ 2,370,320	\$ 2,299,330	\$ (70,990)
State sources	16,191,660	15,729,590	15,760,304	30,714
Federal sources	383,130	1,444,830	1,438,054	(6,776)
TOTAL REVENUES	18,849,580	19,544,740	19,497,688	(47,052)
EXPENDITURES				
Instruction				
Basic needs	10,539,490	10,576,950	10,577,008	(58)
Added needs	2,056,740	2,229,050	2,227,078	1,972
Total instruction	12,596,230	12,806,000	12,804,086	1,914
Supporting services				
Pupil	988,030	944,160	935,042	9,118
Instructional staff	540,190	501,210	482,895	18,315
General administration	337,970	325,660	312,255	13,405
School administration	1,267,480	1,262,780	1,262,253	527
Business services	422,920	372,810	365,758	7,052
Pupil transportation	1,206,670	1,089,930	1,073,587	16,343
Operations and maintenance	1,868,310	1,833,290	1,828,702	4,588
Support services technology	134,320	170,940	169,597	1,343
Total supporting services	6,765,890	6,500,780	6,430,089	70,691
Community services	22,160	25,190	25,549	(359)
Facilities services	36,820	15,540	15,446	94
TOTAL EXPENDITURES	19,421,100	19,347,510	19,275,170	72,340
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(571,520)	197,230	222,518	25,288

Tri County Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
County special education allocation	\$ 213,000	\$ 232,310	\$ 232,325	\$ 15
Other transactions	99,380	143,580	143,617	37
Transfers to other funds	(320,620)	(388,160)	(388,160)	-0-
Other	(19,000)	(10,000)	(733)	9,267
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,240)</u>	<u>(22,270)</u>	<u>(12,951)</u>	<u>9,319</u>
NET CHANGE IN FUND BALANCE	(598,760)	174,960	209,567	34,607
Fund balance, beginning of year	<u>4,424,194</u>	<u>4,424,194</u>	<u>4,424,194</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,825,434</u>	<u>\$ 4,599,154</u>	<u>\$ 4,633,761</u>	<u>\$ 34,607</u>

Tri County Area Schools

General Fund

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
LOCAL SOURCES				
Property taxes	\$ 1,992,890	\$ 2,118,260	\$ 2,046,809	\$ (71,451)
Tuition	116,400	134,500	134,507	7
Transportation fees	26,000	22,260	22,270	10
Interest	100,000	33,570	34,003	433
Rentals	3,000	3,170	3,170	-0-
Charges for services	29,000	32,140	32,146	6
Contributions from private sources	1,500	5,000	5,000	-0-
Other local revenue	6,000	21,420	21,425	5
TOTAL LOCAL SOURCES	2,274,790	2,370,320	2,299,330	(70,990)
STATE SOURCES				
State aid unrestricted	15,139,990	14,568,820	14,599,474	30,654
State aid restricted	1,050,620	1,155,880	1,155,916	36
State aid restricted through local district	1,050	4,890	4,914	24
TOTAL STATE SOURCES	16,191,660	15,729,590	15,760,304	30,714
FEDERAL SOURCES				
Federal received through the State	376,630	1,309,640	1,302,855	(6,785)
Federal received through other districts	6,500	135,190	135,199	9
TOTAL FEDERAL SOURCES	383,130	1,444,830	1,438,054	(6,776)
OTHER FINANCING SOURCES				
County sources	213,000	232,310	232,325	15
Other transactions	99,380	143,580	143,617	37
TOTAL OTHER FINANCING SOURCES	312,380	375,890	375,942	52
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 19,161,960	\$ 19,920,630	\$ 19,873,630	\$ (47,000)

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL

Year Ended June 30, 2009

INSTRUCTION	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Basic needs				
Elementary				
Salaries	\$ 3,062,190	\$ 3,137,700	\$ 3,137,608	\$ 92
Benefits	1,475,100	1,574,190	1,574,227	(37)
Purchased services	89,500	93,350	93,304	46
Supplies, materials, and other	367,130	267,110	267,349	(239)
Capital outlay	154,000	24,800	24,777	23
Total elementary	5,147,920	5,097,150	5,097,265	(115)
Middle school				
Salaries	1,530,030	1,510,920	1,510,900	20
Benefits	752,940	754,900	754,865	35
Purchased services	34,350	33,130	33,109	21
Supplies, materials, and other	59,380	46,000	46,786	(786)
Capital outlay	-	14,880	14,855	25
Total middle school	2,376,700	2,359,830	2,360,515	(685)
High school				
Salaries	1,706,480	1,617,610	1,617,579	31
Benefits	786,920	778,450	778,409	41
Purchased services	106,200	119,810	119,795	15
Supplies, materials, and other	217,280	295,490	294,917	573
Capital outlay	6,000	103,020	102,994	26
Total high school	2,822,880	2,914,380	2,913,694	686
Pre-school instruction				
Salaries	110,570	120,370	120,350	20
Benefits	76,910	80,770	80,743	27
Supplies, materials, and other	4,510	4,450	4,441	9
Total pre-school instruction	191,990	205,590	205,534	56
Total basic needs	10,539,490	10,576,950	10,577,008	(58)
Added needs				
Special education				
Salaries	1,029,710	1,079,310	1,079,099	211
Benefits	479,410	500,690	500,383	307

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
INSTRUCTION - CONTINUED				
Added needs - Continued				
Purchased services	\$ 24,500	\$ 16,460	\$ 16,389	\$ 71
Supplies, materials, and other	21,370	21,980	21,901	79
Total special education	1,554,990	1,618,440	1,617,772	668
Compensatory education				
Salaries	332,450	408,380	408,287	93
Benefits	164,340	195,150	194,105	1,045
Purchased services	1,000	2,230	2,207	23
Supplies, materials, and other	3,960	4,850	4,707	143
Total compensatory education	501,750	610,610	609,306	1,304
Total added needs	2,056,740	2,229,050	2,227,078	1,972
TOTAL INSTRUCTION	12,596,230	12,806,000	12,804,086	1,914
SUPPORTING SERVICES				
Pupil services				
Guidance services				
Salaries	167,330	164,790	160,022	4,768
Benefits	73,220	71,570	70,009	1,561
Total guidance services	240,550	236,360	230,031	6,329
Health services				
Salaries	28,270	27,810	27,787	23
Benefits	6,970	6,860	6,796	64
Purchased services	600	560	539	21
Supplies, materials, and other	2,290	1,530	1,511	19
Total health services	38,130	36,760	36,633	127
Social services				
Salaries	174,620	176,700	176,618	82
Benefits	85,170	86,280	86,090	190
Purchased services	350	320	311	9
Supplies, materials, and other	1,690	1,280	1,247	33
Total social services	261,830	264,580	264,266	314

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Pupil services - continued				
Psychologist services				
Salaries	\$ 66,700	\$ 64,400	\$ 64,362	\$ 38
Benefits	31,650	31,410	31,285	125
Purchased services	1,250	1,100	899	201
Supplies, materials, and other	1,000	1,160	1,155	5
Total psychologist service	100,600	98,070	97,701	369
Speech pathology				
Salaries	54,700	109,000	108,965	35
Benefits	27,280	36,960	36,870	90
Purchased services	163,280	81,640	79,968	1,672
Supplies, materials, and other	2,000	3,060	3,030	30
Total speech pathology	247,260	230,660	228,833	1,827
Monitors				
Salaries	76,890	45,150	45,113	37
Benefits	22,770	32,580	32,465	115
Total monitors	99,660	77,730	77,578	152
Total pupil services	988,030	944,160	935,042	9,118
Instructional staff				
Improvement of instruction				
Salaries	-	15,320	15,162	158
Benefits	-	3,730	3,658	72
Purchased services	128,540	79,920	77,779	2,141
Supplies, materials, and other	-	3,370	3,366	4
Total improvement of instruction	128,540	102,340	99,965	2,375
Library				
Salaries	64,780	72,660	72,645	15
Benefits	34,730	40,890	40,443	447
Supplies, materials, and other	29,790	28,710	26,822	1,888
Total library	129,300	142,260	139,910	2,350

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Technology				
Salaries	\$ 31,200	\$ 26,200	\$ 23,683	\$ 2,517
Benefits	24,400	12,480	11,404	1,076
Supplies, materials, and other	11,520	5,680	-	5,680
Capital outlay	70,000	21,370	17,170	4,200
Total technology	137,120	65,730	52,257	13,473
Supervision and direction of instructional staff				
Salaries	95,860	133,710	133,682	28
Benefits	47,670	54,780	54,723	57
Purchased services	600	1,440	1,433	7
Supplies, materials, and other	1,100	950	925	25
Total supervision and direction of instructional staff	145,230	190,880	190,763	117
Total instructional staff	540,190	501,210	482,895	18,315
General administration				
Board of education				
Salaries	5,000	6,000	4,180	1,820
Purchased services	77,800	67,720	56,922	10,798
Supplies, materials, and other	13,000	11,570	11,532	38
Capital outlay	-	2,260	2,258	2
Total board of education	95,800	87,550	74,892	12,658
Executive administration				
Salaries	155,800	154,380	154,361	19
Benefits	77,270	79,530	79,517	13
Purchased services	4,500	1,450	1,447	3
Supplies, materials, and other	4,600	2,640	1,937	703
Capital outlay	-	110	101	9
Total executive administration	242,170	238,110	237,363	747
Total general administration	337,970	325,660	312,255	13,405

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
School administration				
Salaries	\$ 847,720	\$ 846,050	\$ 845,931	\$ 119
Benefits	387,970	402,480	402,171	309
Purchased services	17,900	9,840	9,764	76
Supplies, materials, and other	13,890	4,410	4,387	23
Total school administration	1,267,480	1,262,780	1,262,253	527
Business services				
Fiscal services				
Salaries	184,090	188,340	187,460	880
Benefits	86,730	88,750	87,534	1,216
Purchased services	9,400	14,460	14,238	222
Supplies, materials, and other	5,700	6,030	4,447	1,583
Capital outlay	-	4,790	4,779	11
Total fiscal services	285,920	302,370	298,458	3,912
Other fiscal services				
Purchased services	69,000	65,140	65,008	132
Other	68,000	5,300	2,292	3,008
Total other fiscal services	137,000	70,440	67,300	3,140
Total business services	422,920	372,810	365,758	7,052
Pupil transportation				
Salaries	503,170	492,970	487,647	5,323
Benefits	321,470	320,330	315,143	5,187
Purchased services	18,550	19,600	16,548	3,052
Supplies, materials, and other	363,480	255,530	252,749	2,781
Capital outlay	-	1,500	1,500	-0-
Total pupil transportation	1,206,670	1,089,930	1,073,587	16,343
Operations and maintenance				
Salaries	666,480	659,330	658,236	1,094
Benefits	439,820	475,610	475,583	27
Purchased services	55,850	37,520	37,382	138
Supplies, materials, and other	690,160	624,500	622,606	1,894
Capital outlay	16,000	36,330	34,895	1,435
Total operations and maintenance	1,868,310	1,833,290	1,828,702	4,588

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Support services technology				
Salaries	\$ 63,600	\$ 64,270	\$ 64,266	\$ 4
Benefits	36,720	38,160	38,128	32
Purchased services	28,000	61,210	59,928	1,282
Capital outlay	6,000	7,300	7,275	25
Total support services technology	134,320	170,940	169,597	1,343
TOTAL SUPPORTING SERVICES	6,765,890	6,500,780	6,430,089	70,691
COMMUNITY SERVICES				
Child care				
Salaries	16,400	19,150	19,127	23
Benefits	4,260	4,820	5,219	(399)
Supplies, materials, and other	1,500	1,220	1,203	17
TOTAL COMMUNITY SERVICES	22,160	25,190	25,549	(359)
FACILITIES SERVICES				
Site acquisition				
Capital outlay	4,820	4,800	4,800	-0-
Building improvement				
Capital outlay	32,000	10,740	10,646	94
TOTAL FACILITIES SERVICES	36,820	15,540	15,446	94
OTHER FINANCING USES				
Transfers to other funds	320,620	388,160	388,160	-0-
Other	19,000	10,000	733	9,267
TOTAL OTHER FINANCING USES	339,620	398,160	388,893	9,267
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 19,760,720	\$ 19,745,670	\$ 19,664,063	\$ 81,607

OTHER SUPPLEMENTARY INFORMATION

Tri County Area Schools
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET

June 30, 2009

	Special Revenue		Debt
	Food Service	Athletics	1999 Debt
ASSETS			
Cash	\$ 114,635	\$ 24,908	\$ 43,683
Accounts receivable	45	-	-
Prepays	-	225	-
Due from other governmental units	4,318	-	-
Inventory	17,108	-	-
TOTAL ASSETS	\$ 136,106	\$ 25,133	\$ 43,683
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 159	\$ 393	\$ -
Other accrued liabilities	1,373	-	-
Due to other funds	18,076	-	-
Deferred revenue	7,901	-	-
TOTAL LIABILITIES	27,509	393	-0-
FUND BALANCES			
Reserved for			
Inventory and prepaids	17,108	225	-
Debt service	-	-	43,683
Unreserved			
Undesignated, reported in			
Special revenue funds	91,489	24,515	-
Capital project funds	-	-	-
TOTAL FUND BALANCES	108,597	24,740	43,683
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,106	\$ 25,133	\$ 43,683

	Service		Capital Projects		Total
2003	2005				Nonmajor
Bond	Bond	Durant	Capital		Governmental
Refunding	Refunding	Bonds	Projects		Funds
\$ 297,127	\$ 83,948	\$ -	\$ 279,598	\$	843,899
-	-	-	-		45
-	-	-	-		225
-	-	-	-		4,318
-	-	-	-		17,108
<u>\$ 297,127</u>	<u>\$ 83,948</u>	<u>\$ -0-</u>	<u>\$ 279,598</u>	<u>\$</u>	<u>865,595</u>
\$ -	\$ -	\$ -	\$ -	\$	552
-	-	-	-		1,373
-	-	-	-		18,076
-	-	-	-		7,901
-0-	-0-	-0-	-0-		27,902
-	-	-	-		17,333
297,127	83,948	-	-		424,758
-	-	-	-		116,004
-	-	-	279,598		279,598
<u>297,127</u>	<u>83,948</u>	<u>-0-</u>	<u>279,598</u>		<u>837,693</u>
<u>\$ 297,127</u>	<u>\$ 83,948</u>	<u>\$ -0-</u>	<u>\$ 279,598</u>	<u>\$</u>	<u>865,595</u>

Tri County Area Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2009

	Special Revenue		Debt
	Food Service	Athletics	1999 Debt
REVENUES			
Local sources	\$ 286,091	\$ 90,857	\$ 201,063
State sources	27,540	-	-
Federal sources	516,037	-	-
TOTAL REVENUES	829,668	90,857	201,063
EXPENDITURES			
Current			
Food service	797,276	-	-
Athletics	-	461,465	-
Capital outlay	5,645	-	-
Debt service			
Principal retirement	-	-	190,000
Interest, fiscal and other charges	-	-	10,049
TOTAL EXPENDITURES	802,921	461,465	200,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	26,747	(370,608)	1,014
OTHER FINANCING SOURCES			
Transfers from other funds	-	388,160	-
NET CHANGE IN FUND BALANCES	26,747	17,552	1,014
Fund balances, beginning of year	81,850	7,188	42,669
Fund balances, end of year	<u>\$ 108,597</u>	<u>\$ 24,740</u>	<u>\$ 43,683</u>

2003 Bond Refunding	Service 2005 Bond Refunding	Durant Bonds	Capital Projects Capital Projects	Total Nonmajor Governmental Funds
\$ 812,763	\$ 123,773	\$ -	\$ 4,087	\$ 1,518,634
-	-	10,863	-	38,403
-	-	-	-	516,037
812,763	123,773	10,863	4,087	2,073,074
-	-	-	-	797,276
-	-	-	-	461,465
-	-	-	197,245	202,890
575,000	15,000	8,609	-	788,609
229,168	108,227	2,254	-	349,698
804,168	123,227	10,863	197,245	2,599,938
8,595	546	-0-	(193,158)	(526,864)
-	-	-	-	388,160
8,595	546	-0-	(193,158)	(138,704)
288,532	83,402	-	472,756	976,397
\$ 297,127	\$ 83,948	\$ -0-	\$ 279,598	\$ 837,693

Tri County Area Schools

Proprietary Funds - Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2009

	Retirement Payout Fund	Health Insurance Services Fund	Total
ASSETS			
Current assets			
Cash	\$ 455,064	\$ 9,504	\$ 464,568
Due from other funds	319,746	-	319,746
TOTAL ASSETS	774,810	9,504	784,314
LIABILITIES			
Current liabilities			
Accounts payable	-	9,504	9,504
Compensated absences	62,643	-	62,643
Total current liabilities	62,643	9,504	72,147
Noncurrent liabilities			
Compensated absences	712,167	-	712,167
TOTAL LIABILITIES	774,810	9,504	784,314
NET ASSETS			
Unrestricted	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Tri County Area Schools

Proprietary Funds - Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2009

	Retirement Payout Fund	Health Insurance Services Fund	Total
OPERATING REVENUES			
Charges for services	\$ -	\$ 214,963	\$ 214,963
OPERATING EXPENSES			
Fringe benefits	<u>6,073</u>	<u>233,748</u>	<u>239,821</u>
OPERATING LOSS	(6,073)	(18,785)	(24,858)
NONOPERATING REVENUES			
Interest revenue	<u>6,073</u>	<u>623</u>	<u>6,696</u>
CHANGE IN NET ASSETS	-0-	(18,162)	(18,162)
Net assets, beginning of year	<u>-</u>	<u>18,162</u>	<u>18,162</u>
Net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Tri County Area Schools
Proprietary Funds - Internal Service Funds
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2009

	Retirement Payout Fund	Health Insurance Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 214,963	\$ 214,963
Cash paid for employee and retiree benefits	(99,130)	(246,034)	(345,164)
 CASH USED BY OPERATING ACTIVITIES	 (99,130)	 (31,071)	 (130,201)
 CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	6,073	623	6,696
 NET DECREASE IN CASH	 (93,057)	 (30,448)	 (123,505)
 Cash, beginning of year	548,121	39,952	588,073
 Cash, end of year	\$ 455,064	\$ 9,504	\$ 464,568
 Reconciliation of operating loss to net cash used by operating activities			
Operating loss	\$ (6,073)	\$ (18,785)	\$ (24,858)
Adjustments to reconcile operating loss to cash used by operating activities			
(Decrease) in accounts payable	-	(12,286)	(12,286)
(Increase) in due from other funds	(107,484)	-	(107,484)
Increase in compensated absences	14,427	-	14,427
 NET CASH USED BY OPERATING ACTIVITIES	 <u><u>\$ (99,130)</u></u>	 <u><u>\$ (31,071)</u></u>	 <u><u>\$ (130,201)</u></u>