

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

FINANCIAL STATEMENTS

June 30, 2010

Tri County Area Schools

Sand Lake, Michigan

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June 30, 2010

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Tri County Area Schools

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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, 2010, 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, 2010, 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 22, 2010 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, 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 22, 2010

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, 2010. 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, 2010.

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 district made tough financial decisions during the 2009-10 school year to best serve our students presently and on a continuous basis despite many harsh economical factors:

- 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.
- Maintain educational programs and student activities to maintain our students complete educational experience.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2010.

**Condensed Statement of Net Assets
as of June 30, 2009 and 2010**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Assets		
Current Assets	\$ 7,151,031	\$ 8,131,759
Noncurrent Assets	<u>13,206,375</u>	<u>13,710,401</u>
Total Assets	20,357,406	21,842,160
Liabilities		
Current Liabilities	2,977,649	2,800,748
Long-Term Liabilities	<u>7,387,273</u>	<u>8,214,479</u>
Total Liabilities	10,364,922	11,015,227
Net Assets		
Invested in capital assets, net of related debt	5,773,296	5,477,366
Restricted	215,731	353,979
Unrestricted	<u>4,003,457</u>	<u>4,995,588</u>
Total Net Assets	<u>\$ 9,992,484</u>	<u>\$ 10,826,933</u>

Analysis of Financial Position:

As detailed above, the District shows a positive total net asset value of \$9,992,484 for the fiscal year ended June 30, 2010. This statement has been affected by the following factors:

- Capital assets reduced by a net of \$504,026 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 \$889,419.
- The change in net assets was \$(834,449) due the usage of fund balance to maintain student programs and activities when state funding per student reduced and student enrollment declined by the largest amount it has experienced in over 2 decades.

Results of Operations:

For the fiscal year ended June 30, 2008 and 2010, the district-wide results of operations were:

Condensed Statement of Activities
Year Ended June 30, 2009 and 2010

	Governmental Activities 2010	Governmental Activities 2009
Revenues:		
Program Revenues		
Charges for Services	\$ 400,738	\$ 563,873
Operating and Capital Grants	2,507,678	2,237,752
General Revenues		
Property Taxes	3,195,053	3,178,672
State School Aid-unrestricted	13,884,621	14,599,474
Other	<u>1,169,845</u>	<u>1,366,933</u>
Total Revenues	21,157,935	21,946,704
Functions/Program Expenses:		
Instruction	13,141,476	12,825,042
Supporting services	6,680,304	6,403,913
Community services	26,049	25,553
Food service	803,321	797,404
Athletics	469,290	461,539
Interest on long-term debt	329,512	359,027
Unallocated depreciation	<u>542,432</u>	<u>608,013</u>
Total Expenses	<u>21,992,384</u>	<u>21,480,491</u>
(Decrease)/Increase in Net Assets	<u>\$ (834,449)</u>	<u>\$ 466,213</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2010 the District's net assets decreased by \$(834,449). Several factors that helped cause the increase are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures from governmental fund operations exceeded revenues by \$1,119,231 for the fiscal year ended June 30, 2010. Further discussion of the District's operating results is available in the section entitled "Results of 2009-2010 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 2009-10, district assets depreciated in the amount of \$542,432, causing a reduction in net district assets.

C. Long-Term Debt Activities

The District reduced its long-term debt obligation during 2009-2010 by making principal payments and having other debt activity amounting to \$799,956. Accrued compensated absences decreased by a net \$89,463.

Results of 2009-2010 Operations

During fiscal year ended June 30, 2010, the District net assets decreased by \$834,449 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 expenditures from General Fund operations exceeded revenues by \$1,104,031 for the fiscal year ended June 30, 2010. The General Fund as of June 30, 2010, has a fund balance of \$3,619,730 or 17.9% of expenditures and other financing uses for the 2009-2010 fiscal year. It is essential for the District to maintain an appropriate fund balance to insure adequate cash flow throughout 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, 2010, the Debt Service Funds had \$282,089 in fund equity available for future bond payments.

The District also had Durant resolution bonds and compensated absences outstanding at June 30, 2010, which totaled \$73,707 and \$845,527, respectively.

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

	<u>Principal Balance June 30, 2010</u>
2003 Refunding Bonds	\$ 5,000,000
2005 Refunding Bonds	<u>2,500,000</u>
Total long-term bond obligations	<u>\$ 7,500,000</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 2009-2010, the Food Service Fund had revenues of \$865,802 and expenditures of \$813,660. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service program extended a free breakfast program to all students at MacNaughton Elementary and continued the Summer Meals Program which provided a free lunch to all students throughout the summer months. The Food Service Fund had a fund balance of \$160,739. The fund balance increased \$52,142 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 2009-2010, the Athletics Fund had revenues and other financing sources of \$449,137 and expenditures of \$468,858. The Athletics Fund generated \$101,394 in revenues from gate receipts, passes, fees, donations, and other miscellaneous items. The Athletics Fund must have a balanced budget and the District contributed \$347,743 from the General Fund to balance the fund. The Athletics Fund had a fund balance of \$5,019.

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, 2009</u>	<u>Net Change</u>	<u>Balance June 30, 2010</u>
Capital assets	\$23,402,672	\$(118,259)	\$23,284,413
Less: accumulated depreciation	<u>(9,692,271)</u>	<u>(385,767)</u>	<u>(10,078,038)</u>
Net investment in capital outlay	<u>\$13,710,401</u>	<u>\$(362,468)</u>	<u>\$13,206,375</u>

Various vehicles, buses, and other furniture and equipment was disposed of during the 2009-10 year. The District also added classroom furniture, other improvements, vehicles, and equipment during the 2009-10 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 minus \$154 per student reduction for the 2009-2010 school year. Due to the educational support of voter's approval of the operational millage of 18 mills the District received the entire \$7,316 per student minus \$154 per student reduction.

C. Student Enrollment

The District's student enrollment for the fall count of 2009-2010 was 2405.7 students. The District's enrollment has decreased by 2.5% compared to the prior school year's student count. The decline in enrollment resulted in our lowest enrollment over the past five years. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2009-2010	2,406	(62)
2008-2009	2,468	0
2007-2008	2,468	36
2006-2007	2,432	21
2005-2006	2,411	53

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 2009-2010 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 2009-2010, the District's debt millage levy was 2.4743 mills, a decrease of 14.6%, which generated revenue of \$980,358.

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>
2009-2010	\$21,363,230	\$20,518,640	\$20,208,502	5.4%	1.5%
2008-2009	\$19,760,720	\$19,745,670	\$19,664,063	0.5%	0.4%

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>
2009-2010	\$19,408,180	\$19,112,970	\$19,194,471	(1.1%)	.4%
2008-2009	\$19,161,960	\$19,920,630	\$19,873,630	3.7%	(0.2%)

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, 2010 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	\$21,363,230	100.0
Total Expenditures Final Budget	<u>20,518,640</u>	<u>96.1</u>
Decrease in Budget Expenditures	<u>\$ 844,590</u>	<u>3.9</u>

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

- Increase in instructional technology
- Change in non-union insurance to a lower cost HSA insurance plan
- Attrition of positions after mid-year retirements.
- Delay of facility improvements.
- Increased community support of athletic programs and utilization of athletic resource reducing the general fund contribution to the athletic fund.
- Optimization of cash-flow to eliminate interest expense to maintain operational activities.

The District's actual expenditures were less than the final budget by \$310,138 or 1.5 percent.

- Employees reduced due to reduction in resources not claiming anticipated unemployment benefits.
- Board approved carryover of capital outlay resources to accumulate resources for larger capital outlay items as determined at building level.
- Delay of contracted service for district-wide planning
- Delayed delivery of instructional technology equipment.
- Delayed delivery of custodial & maintenance supplies.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$19,408,180	100.0
Total Revenues Final Budget	<u>19,112,970</u>	<u>98.5</u>
Decrease in Budget Revenues	<u>\$ 295,210</u>	<u>1.5</u>

The District's final actual general fund revenues were less than the final budget by \$81,501, a variance of 0.4% from the final budget.

The final revenue budget reflects the following changes from the original revenue budget.

- Local sources budget increased by \$141,590 due to increased revenues from property values, tuition, and charges for service, however, transportation fees and interest income decreased.
- State aid decreased by \$992,740 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 2011 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 2011 fiscal year is 25 percent and 75 percent of the February 2010 and September 2010 student counts, respectively. The 2011 fiscal year budget was adopted in June 2010, based on an estimate of students that will be enrolled in September 2010. 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 2010-2011 school year, we anticipate that the fall student count will be lower than the estimates used in creating the 2010 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, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 3,960,571
Receivables	
Taxes	160
Accounts	27,711
Prepays	16,134
Due from other governmental units	3,041,002
Inventory	105,453
Total current assets	7,151,031
Noncurrent assets	
Capital assets not being depreciated	756,211
Capital assets, net of accumulated depreciation	12,450,164
Total noncurrent assets	13,206,375
TOTAL ASSETS	20,357,406
LIABILITIES	
Current liabilities	
Accounts payable	23,080
Accrued payroll	1,042,652
Accrued interest payable	48,233
Other accrued liabilities	761,946
Due to other governmental units	178,014
Unearned revenue	14,266
Current portion of compensated absences	109,072
Current portion of long-term debt	800,386
Total current liabilities	2,977,649
Noncurrent liabilities	
Accrued interest payable	18,125
Noncurrent portion of compensated absences	736,455
Noncurrent portion of long-term debt	6,632,693
Total noncurrent liabilities	7,387,273
TOTAL LIABILITIES	10,364,922
NET ASSETS	
Invested in capital assets, net of related debt	5,773,296
Restricted for debt service	215,731
Unrestricted	4,003,457
TOTAL NET ASSETS	\$ 9,992,484

See accompanying notes to financial statements.

Tri County Area Schools
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities
Functions/Programs					
Instruction	\$ 13,141,476	\$ 3,945	\$ 1,878,350	\$ -	\$ (11,259,181)
Supporting services	6,680,304	19,391	1,340	-	(6,659,573)
Community services	26,049	28,033	-	-	1,984
Food services	803,321	248,165	617,126	-	61,970
Athletics	469,290	101,204	-	-	(368,086)
Interest on long-term debt	329,512	-	-	10,862	(318,650)
Unallocated depreciation	542,432	-	-	-	(542,432)
TOTAL EXPENSES	\$ 21,992,384	\$ 400,738	\$ 2,496,816	\$ 10,862	(19,083,968)
General Revenues					
Property taxes					3,195,053
State school aid - unrestricted					13,884,621
ARRA Stabilization funds					690,414
Special Education county allocation					261,624
Investment earnings					15,075
Miscellaneous					202,732
TOTAL GENERAL REVENUES					18,249,519
CHANGE IN NET ASSETS					(834,449)
Net assets, beginning of year					10,826,933
Net assets, end of year					\$ 9,992,484

See accompanying notes to financial statements.

Tri County Area Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,538,485	\$ 795,602	\$ 3,334,087
Receivables			
Taxes	112	48	160
Accounts	27,711	-	27,711
Prepays	16,134	-	16,134
Due from other governmental units	3,036,723	4,279	3,041,002
Inventory	88,559	16,894	105,453
	<u>\$ 5,707,724</u>	<u>\$ 816,823</u>	<u>\$ 6,524,547</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 20,029	\$ 168	\$ 20,197
Accrued payroll	1,042,652	-	1,042,652
Other accrued liabilities	758,851	3,095	761,946
Due to other funds	84,469	70,780	155,249
Due to other governmental units	178,014	-	178,014
Deferred revenue	3,979	10,287	14,266
	<u>2,087,994</u>	<u>84,330</u>	<u>2,172,324</u>
TOTAL LIABILITIES			
FUND BALANCES			
Reserved for:			
Inventory and prepaids	104,693	16,894	121,587
Debt service	-	282,089	282,089
Unreserved			
Undesignated, reported in:			
General fund	3,515,037	-	3,515,037
Special revenue funds	-	148,864	148,864
Capital project funds	-	284,646	284,646
	<u>3,619,730</u>	<u>732,493</u>	<u>4,352,223</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 5,707,724</u>	<u>\$ 816,823</u>	<u>\$ 6,524,547</u>

Tri County Area Schools

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

6/30/2010

Total fund balances - governmental funds \$ 4,352,223

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	\$ 23,284,413	
Accumulated depreciation is	<u>(10,078,038)</u>	
		13,206,375

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds		3,887
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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		140,628
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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	7,573,707	
Accrued interest payable	66,358	
Applicable portion of compensated absences	<u>70,564</u>	
		<u>(7,710,629)</u>

Net assets of governmental activities \$ 9,992,484

Tri County Area Schools

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

Year Ended June 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 2,303,600	\$ 1,335,477	\$ 3,639,077
State sources	15,102,278	38,186	15,140,464
Federal sources	1,352,448	589,801	1,942,249
TOTAL REVENUES	18,758,326	1,963,464	20,721,790
EXPENDITURES			
Current			
Instruction	13,128,844	-	13,128,844
Supporting services	6,701,461	-	6,701,461
Community services	26,025	-	26,025
Food service	-	802,582	802,582
Athletics	-	468,858	468,858
Capital outlay	-	11,078	11,078
Debt service			
Principal retirement	-	814,018	814,018
Interest, fiscal and other charges	-	319,871	319,871
TOTAL EXPENDITURES	19,856,330	2,416,407	22,272,737
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,098,004)	(452,943)	(1,550,947)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	347,743	347,743
County special education allocation	261,624	-	261,624
Other transactions	174,521	-	174,521
Transfers to other funds	(347,743)	-	(347,743)
Other	(4,429)	-	(4,429)
TOTAL OTHER FINANCING SOURCES (USES)	83,973	347,743	431,716
NET CHANGE IN FUND BALANCES	(1,014,031)	(105,200)	(1,119,231)
Fund balances, beginning of year	4,633,761	837,693	5,471,454
Fund balances, end of year	<u>\$ 3,619,730</u>	<u>\$ 732,493</u>	<u>\$ 4,352,223</u>

Tri County Area Schools

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

Year Ended June 30, 2010

Net change in fund balances - total governmental funds **\$ (1,119,231)**

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	\$ 38,406	
Depreciation expense	<u>(542,432)</u>	
Excess of depreciation expense over capital outlay		(504,026)

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

Change in net assets from governmental activities accounted for in Internal Service Funds		3,887
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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	814,018	
Amortization of deferred amounts on debt refunding	<u>(14,062)</u>	
		799,956

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	4,421	
Change in governmental activities reporting of compensated absences	<u>(19,456)</u>	
		<u>(15,035)</u>

Change in net assets of governmental activities **\$ (834,449)**

Tri County Area Schools
Proprietary Funds - Internal Service Funds

STATEMENT OF NET ASSETS

June 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 626,484
Due from other funds	155,249
TOTAL ASSETS	781,733
LIABILITIES	
Current liabilities	
Accounts payable	2,883
Compensated absences	109,072
Total current liabilities	111,955
Noncurrent liabilities	
Compensated absences	665,891
TOTAL LIABILITIES	777,846
NET ASSETS	
Unrestricted	\$ 3,887

Tri County Area Schools

Proprietary Funds - Internal Service Funds

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

Year Ended June 30, 2010

	<u>Governmental Activities</u>
OPERATING REVENUES	
Charges for services	\$ 235,110
OPERATING EXPENSES	
Fringe benefits	<u>231,354</u>
OPERATING INCOME	3,756
NONOPERATING REVENUES	
Interest revenue	<u>131</u>
CHANGE IN NET ASSETS	3,887
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ 3,887</u></u>

Tri County Area Schools
Proprietary Funds - Internal Service Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

	<u>Governmental Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 462,403
Cash paid for employees and retiree benefits	<u>(300,618)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	161,785
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>131</u>
NET INCREASE IN CASH	161,916
Cash, beginning of year	<u>464,568</u>
Cash, end of year	<u><u>\$ 626,484</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 3,756
Adjustments to reconcile operating income to cash provided by operating activities	
(Decrease) in accounts payable	(6,621)
Decrease in due from other funds	164,497
Increase in compensated absences	<u>153</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 161,785</u></u>

Tri County Area Schools

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 124,601</u>
LIABILITIES	
Due to student groups	<u>\$ 124,601</u>

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Tri County Area Schools (the District) 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 fiduciary funds are reported by type.

The District presents the following major governmental fund:

- 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.

The district-wide 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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. For this purpose, the District considers revenues to be available if they are collected with 60 days of the end 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.

If/when both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, the unrestricted resources as they are needed.

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 prior 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.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

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

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, 2010.

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 instructional, 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 at the fund level 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, 2010 to be paid in July and August 2010. Of the total amount of \$3,041,002 due from other governmental units, \$2,775,069 consists of State Aid, and the remaining \$265,933 from grants and local programs.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2004, 2005, 2007, and 2008, is shown as a noncurrent liability due to the State of Michigan deferring these payments 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.

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.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Property Taxes - continued

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 \$2.4743 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, 2010, the foundation allowance was based on the average of pupil membership counts taken in September 2009 and February 2009. The average calculation was weighted 75% for the September 2009 count and 25% for the February 2009 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.

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:

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE B: CASH - CONTINUED

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.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., no higher than 0.50 percent through June 30, 2010 and 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC. Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$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. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

Deposits

There is custodial credit risk as it relates to deposits if they are not federally insured. 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, 2010, the carrying amount of the District's deposits was \$4,085,172 and the bank balance was \$4,394,359, 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, 2010

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, 2010, the cash referred to above have been reported in the cash caption in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	<u>\$ 3,960,571</u>	<u>\$ 124,601</u>	<u>\$ 4,085,172</u>

NOTE C: CAPITAL ASSETS

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated				
Land	\$ 756,211	\$ -	\$ -	\$ 756,211
Capital assets being depreciated				
Buildings and improvements	19,913,143	-	-	19,913,143
Buses and other vehicles	1,387,143	4,300	(67,215)	1,324,228
Furniture and equipment	<u>1,346,175</u>	<u>34,106</u>	<u>(89,450)</u>	<u>1,290,831</u>
Subtotal	22,646,461	38,406	(156,665)	22,528,202
Less accumulated depreciation for:				
Buildings and improvements	(7,766,801)	(421,388)	-	(8,188,189)
Buses and other vehicles	(1,063,069)	(70,781)	67,215	(1,066,635)
Furniture and equipment	<u>(862,401)</u>	<u>(50,263)</u>	<u>89,450</u>	<u>(823,214)</u>
Subtotal	<u>(9,692,271)</u>	<u>(542,432)</u>	<u>156,665</u>	<u>(10,078,038)</u>
Net capital assets being depreciated	<u>12,954,190</u>	<u>(504,026)</u>	<u>-0-</u>	<u>12,450,164</u>
Capital assets, net	<u>\$13,710,401</u>	<u>\$ (504,026)</u>	<u>\$ -0-</u>	<u>\$13,206,375</u>

Total depreciation expense of \$542,432 was not allocated to governmental functions. The expense appears on the statement of activities as "unallocated".

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2010 are as follows:

Due to internal service funds from:	
General Fund	\$ 84,469
Nonmajor governmental funds	<u>70,780</u>
	<u>\$ 155,249</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>\$ 347,743</u>

The transfer from the General Fund to the nonmajor governmental (Athletics) fund was to cover operational costs related to the District's athletics programs.

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, 2010.

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>	Amounts Due Within <u>One Year</u>
Bonded Debt	\$ 8,387,725	\$ -	\$ 814,018	\$ 7,573,707	\$ 814,448
Compensated Absences	763,275	111,354	138,174	736,455	-
Post-Employment Compensated Absences	<u>62,643</u>	<u>-</u>	<u>62,643</u>	<u>-0-</u>	<u>-</u>
	9,213,643	111,354	1,014,835	8,310,162	814,448
Less: deferred amounts on refunding	<u>154,690</u>	<u>-</u>	<u>14,062</u>	<u>140,628</u>	<u>14,062</u>
	<u>\$ 9,058,953</u>	<u>\$ 111,354</u>	<u>\$ 1,000,773</u>	<u>\$ 8,169,534</u>	<u>\$ 800,386</u>

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010, bonds due and payable May 1, 2011 through May 1, 2020 for 1999 School Building and Site General Obligation Bonds in the amount of \$2,445,000 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, 2010, bonds due and payable May 1, 2011 through May 1, 2020 for the 1995 School Building and Site Bonds in the amount of \$5,185,000 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, 2010:

\$9,140,000 Refunding Bonds dated March 18, 2003, due in annual installments ranging from \$325,000 to \$570,000 through May 1, 2020 with interest ranging from 3.40 to 4.15 percent, payable semi-annually.	\$ 5,000,000
\$2,770,000 Refunding Bonds dated April 19, 2005, due in annual installments ranging from \$235,000 to \$265,000 through May 1, 2020 with interest ranging from 3.60 to 4.15 percent, payable semi-annually.	<u>2,500,000</u>
	7,500,000

Resolution Bonds

\$154,683 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments from \$9,896 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>73,707</u>
	<u>\$ 7,573,707</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, 2010

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, 2010 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, 2010, 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	\$ 643,045	\$ 41,075	\$ 684,120
Payroll taxes	<u>49,193</u>	<u>3,142</u>	<u>52,335</u>
	<u>\$ 692,238</u>	<u>\$ 44,217</u>	<u>\$ 736,455</u>

The entire liability, except for \$70,564 related to vacation payable and its related payroll taxes, is recorded as a liability in the Internal Service Fund. In addition, there was an additional new liability of \$109,072 that was recorded in the Internal Service Fund and on the government-wide statements in the current year related to a new Early Retirement Incentive that was established in the current year and will be paid in full during the 2010-2011 fiscal year. This \$109,072 is not included in the \$736,455 noted above as it is a separate liability.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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:

Year Ending June 30,	<u>Durant Resolution Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 9,448	\$ 1,415	\$ 805,000	\$ 288,336
2012	9,897	965	790,000	260,496
2013	54,362	18,619	790,000	232,259
2014	-	-	780,000	203,219
2015	-	-	765,000	174,136
2016-2020	-	-	<u>3,570,000</u>	<u>422,781</u>
	<u>\$ 73,707</u>	<u>\$ 20,999</u>	<u>\$ 7,500,000</u>	<u>\$ 1,581,227</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, 2010 was \$11,519,568 of which \$9,468,202 was for members who have elected the MIP option; the District's total payroll was \$11,626,483.

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, 2010

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, 2009 to September 30, 2009, the District was required by State statute to contribute 16.54% of covered compensation for all wages to the Plan. For the period of October 1, 2009 to June 30, 2010, the District was required by State statute to contribute 16.94% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2010 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>	<u>Total</u> <u>Contributions</u>
2010	\$ 373,585	\$ 1,941,280	\$ 2,314,865
2009	353,773	1,820,720	2,174,493
2008	352,690	1,862,911	2,215,601

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</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>
2010	4.0 %	16.9 %
2009	4.0	16.6
2008	4.0	17.0

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. The employer contribution rate was 6.81 percent of covered payroll for the period ending July 1, 2009 through June 30, 2010 and is included in the above required contributions.

Tri County Area Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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, 2010:

General Fund	
Reserved for inventory and prepaids	\$ 104,693
Nonmajor governmental funds	
Food service	
Reserved for inventory and prepaids	16,894
1999 Debt	
Reserved for debt service	43,449
2003 Bond Refunding	
Reserved for debt service	191,244
2005 Bond Refunding	
Reserved for debt service	<u>47,396</u>
	<u>282,089</u>
	<u>\$ 403,676</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, 2010:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Debt service	<u>\$ 215,731</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, 2010

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, 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-Insurer 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 was 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: GASB PRONOUNCEMENTS

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The District is currently evaluating the impact this standard will have on the financial statements when adopted. The District will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

Tri County Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 2,233,360	\$ 2,374,950	\$ 2,303,600	\$ (71,350)
State sources	16,057,690	15,064,950	15,102,278	37,328
Federal sources	799,950	1,289,370	1,352,448	63,078
TOTAL REVENUES	19,091,000	18,729,270	18,758,326	29,056
EXPENDITURES				
Instruction				
Basic needs	11,024,610	10,966,350	10,846,181	120,169
Added needs	2,540,260	2,290,320	2,282,663	7,657
Total instruction	13,564,870	13,256,670	13,128,844	127,826
Supporting services				
Pupil services	1,006,390	966,440	961,363	5,077
Instructional staff	893,170	750,300	718,744	31,556
General administration	357,690	327,000	302,232	24,768
School administration	1,333,580	1,321,050	1,297,853	23,197
Business services	476,880	342,950	325,662	17,288
Pupil transportation	1,222,970	1,160,280	1,149,375	10,905
Operations and maintenance	1,862,240	1,806,670	1,740,638	66,032
Support services technology	219,650	208,260	205,594	2,666
Total supporting services	7,372,570	6,882,950	6,701,461	181,489
Community services	27,630	26,570	26,025	545
TOTAL EXPENDITURES	20,965,070	20,166,190	19,856,330	309,860
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,874,070)	(1,436,920)	(1,098,004)	338,916

Tri County Area Schools

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
County special education allocation	\$ 215,000	\$ 261,610	\$ 261,624	\$ 14
Other transactions	102,180	122,090	174,521	52,431
Transfers to other funds	(388,160)	(347,750)	(347,743)	7
Other	(10,000)	(4,700)	(4,429)	271
TOTAL OTHER FINANCING SOURCES (USES)	<u>(80,980)</u>	<u>31,250</u>	<u>83,973</u>	<u>52,723</u>
NET CHANGE IN FUND BALANCE	(1,955,050)	(1,405,670)	(1,014,031)	391,639
Fund balance, beginning of year	<u>4,633,761</u>	<u>4,633,761</u>	<u>4,633,761</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 2,678,711</u>	<u>\$ 3,228,091</u>	<u>\$ 3,619,730</u>	<u>\$ 391,639</u>

Tri County Area Schools

General Fund

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
LOCAL SOURCES				
Property taxes	\$ 2,005,260	\$ 2,291,410	\$ 2,216,390	\$ (75,020)
Tuition	133,300	3,940	3,945	5
Transportation fees	21,800	19,380	19,391	11
Interest	30,000	11,640	11,747	107
Rentals	1,000	3,430	3,437	7
Charges for services	32,000	27,800	28,033	233
Contributions from private sources	5,000	-	-	-0-
Other local revenue	5,000	17,350	20,657	3,307
TOTAL LOCAL SOURCES	2,233,360	2,374,950	2,303,600	(71,350)
STATE SOURCES				
State aid unrestricted	14,922,040	13,848,400	13,884,621	36,221
State aid restricted	1,132,650	1,211,590	1,212,691	1,101
State aid restricted through local district	3,000	4,960	4,966	6
TOTAL STATE SOURCES	16,057,690	15,064,950	15,102,278	37,328
FEDERAL SOURCES				
Federal received through the State	648,700	1,175,580	1,226,643	51,063
Federal received through other districts	151,250	113,790	125,805	12,015
TOTAL FEDERAL SOURCES	799,950	1,289,370	1,352,448	63,078
OTHER FINANCING SOURCES				
County special education allocation	215,000	261,610	261,624	14
Other transactions	102,180	122,090	174,521	52,431
TOTAL OTHER FINANCING SOURCES	317,180	383,700	436,145	52,445
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 19,408,180	\$ 19,112,970	\$ 19,194,471	\$ 81,501

Tri County Area Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL

Year Ended June 30, 2010

INSTRUCTION	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Basic needs				
Elementary				
Salaries	\$ 3,342,070	\$ 3,272,260	\$ 3,272,143	\$ 117
Benefits	1,721,540	1,721,940	1,664,050	57,890
Purchased services	84,250	83,310	83,179	131
Supplies, materials, and other	211,810	245,400	223,877	21,523
Capital outlay	171,970	74,100	52,199	21,901
Total elementary	5,531,640	5,397,010	5,295,448	101,562
Middle school				
Salaries	1,541,760	1,551,760	1,551,715	45
Benefits	819,440	841,110	836,111	4,999
Purchased services	30,800	34,160	34,129	31
Supplies, materials, and other	50,140	48,860	47,254	1,606
Capital outlay	-	21,630	21,607	23
Total middle school	2,442,140	2,497,520	2,490,816	6,704
High school				
Salaries	1,631,500	1,657,190	1,657,165	25
Benefits	836,620	869,170	862,520	6,650
Purchased services	115,200	134,860	131,830	3,030
Supplies, materials, and other	225,330	331,920	330,093	1,827
Capital outlay	21,090	43,120	42,784	336
Total high school	2,829,740	3,036,260	3,024,392	11,868
Pre-school instruction				
Salaries	129,200	6,640	6,635	5
Benefits	88,750	27,280	27,256	24
Supplies, materials, and other	3,140	1,640	1,634	6
Total pre-school instruction	221,090	35,560	35,525	35
Total basic needs	11,024,610	10,966,350	10,846,181	120,169
Added needs				
Special education				
Salaries	1,109,290	1,093,310	1,092,099	1,211
Benefits	571,950	584,290	581,760	2,530
Purchased services	12,410	21,020	20,967	53
Supplies, materials, and other	27,400	35,100	35,050	50
Total special education	1,721,050	1,733,720	1,729,876	3,844

Tri County Area Schools

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
INSTRUCTION - CONTINUED				
Added needs - continued				
Compensatory education				
Salaries	\$ 418,320	\$ 322,700	\$ 322,638	\$ 62
Benefits	222,700	167,890	167,725	165
Purchased services	-	1,390	1,380	10
Supplies, materials, and other	3,000	62,490	58,916	3,574
Capital outlay	175,190	2,130	2,128	2
Total compensatory education	819,210	556,600	552,787	3,813
Total added needs	2,540,260	2,290,320	2,282,663	7,657
TOTAL INSTRUCTION	13,564,870	13,256,670	13,128,844	127,826
SUPPORTING SERVICES				
Pupil services				
Guidance services				
Salaries	172,340	160,660	160,063	597
Benefits	86,100	73,230	72,186	1,044
Total guidance services	258,440	233,890	232,249	1,641
Health services				
Salaries	30,080	27,570	27,550	20
Benefits	7,550	6,900	6,836	64
Purchased services	330	480	474	6
Supplies, materials, and other	2,310	1,250	1,230	20
Total health services	40,270	36,200	36,090	110
Social services				
Salaries	176,470	176,700	176,618	82
Benefits	91,860	93,870	93,072	798
Purchased services	200	260	107	153
Supplies, materials, and other	1,690	1,440	1,426	14
Total social services	270,220	272,270	271,223	1,047
Psychologist services				
Salaries	63,450	64,980	64,934	46
Benefits	30,250	31,410	31,307	103
Purchased services	1,000	1,000	980	20
Supplies, materials, and other	1,000	840	837	3
Total psychologist services	95,700	98,230	98,058	172

Tri County Area Schools

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Pupil services - continued				
Speech pathology				
Salaries	\$ 118,200	\$ 90,810	\$ 90,785	\$ 25
Benefits	45,370	38,410	38,358	52
Purchased services	83,300	111,480	111,468	12
Supplies, materials, and other	2,000	690	674	16
Total speech pathology	248,870	241,390	241,285	105
Monitors				
Salaries	52,770	40,720	40,694	26
Benefits	40,120	43,740	41,764	1,976
Total monitors	92,890	84,460	82,458	2,002
Total pupil services	1,006,390	966,440	961,363	5,077
Instructional staff				
Improvement of instruction				
Salaries	-	74,540	59,746	14,794
Benefits	-	18,750	14,618	4,132
Purchased services	330,900	177,620	169,018	8,602
Supplies, materials, and other	-	1,140	1,138	2
Total improvement of instruction	330,900	272,050	244,520	27,530
Library				
Salaries	72,670	73,940	73,806	134
Benefits	38,800	36,950	36,916	34
Supplies, materials, and other	15,520	16,020	14,395	1,625
Total library	126,990	126,910	125,117	1,793
Technology				
Salaries	30,370	66,880	66,875	5
Benefits	17,620	33,120	33,090	30
Supplies, materials, and other	13,900	4,840	4,834	6
Capital outlay	115,000	-	-	-0-
Total technology	176,890	104,840	104,799	41

Tri County Area Schools

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Supervision and direction of instructional staff				
Salaries	\$ 175,290	\$ 175,040	\$ 175,018	\$ 22
Benefits	72,800	62,470	62,336	134
Purchased services	8,000	7,450	5,452	1,998
Supplies, materials, and other	2,300	1,540	1,502	38
Total supervision and direction of instructional staff	258,390	246,500	244,308	2,192
Total instructional staff	893,170	750,300	718,744	31,556
General administration				
Board of education				
Salaries	11,000	7,600	6,687	913
Benefits	750	750	519	231
Purchased services	86,500	88,500	71,196	17,304
Supplies, materials, and other	11,500	11,710	11,491	219
Total board of education	109,750	108,560	89,893	18,667
Executive administration				
Salaries	158,370	142,250	139,551	2,699
Benefits	82,270	70,850	68,919	1,931
Purchased services	3,200	2,330	2,163	167
Supplies, materials, and other	4,100	3,010	1,706	1,304
Total executive administration	247,940	218,440	212,339	6,101
Total general administration	357,690	327,000	302,232	24,768
School administration				
Salaries	869,130	903,270	887,319	15,951
Benefits	431,850	396,390	394,085	2,305
Purchased services	18,800	11,060	7,441	3,619
Supplies, materials, and other	13,800	10,330	9,008	1,322
Total school administration	1,333,580	1,321,050	1,297,853	23,197

Tri County Area Schools

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Business services				
Fiscal services				
Salaries	\$ 199,700	\$ 167,250	\$ 161,051	\$ 6,199
Benefits	101,080	81,800	81,011	789
Purchased services	14,400	9,830	8,865	965
Supplies, materials, and other	4,200	3,400	3,373	27
Capital outlay	-	5,010	5,001	9
Total fiscal services	319,380	267,290	259,301	7,989
Other fiscal services				
Purchased services	69,500	65,280	65,271	9
Other	88,000	10,380	1,090	9,290
Total other fiscal services	157,500	75,660	66,361	9,299
Total business services	476,880	342,950	325,662	17,288
Pupil transportation				
Salaries	492,640	465,080	461,001	4,079
Benefits	369,810	337,320	335,018	2,302
Purchased services	20,400	25,455	22,714	2,741
Supplies, materials, and other	340,120	329,435	327,661	1,774
Capital outlay	-	2,990	2,981	9
Total pupil transportation	1,222,970	1,160,280	1,149,375	10,905
Operations and maintenance				
Salaries	688,110	661,770	654,819	6,951
Benefits	471,820	492,620	489,331	3,289
Purchased services	57,200	44,840	40,173	4,667
Supplies, materials, and other	633,610	606,840	555,716	51,124
Capital outlay	11,500	600	599	1
Total operations and maintenance	1,862,240	1,806,670	1,740,638	66,032

Tri County Area Schools

General Fund

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

Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
SUPPORTING SERVICES - CONTINUED				
Support services technology				
Salaries	\$ 67,450	\$ 67,450	\$ 67,445	\$ 5
Benefits	39,840	34,440	34,255	185
Purchased services	102,360	105,750	103,277	2,473
Capital outlay	10,000	620	617	3
Total support services technology	219,650	208,260	205,594	2,666
TOTAL SUPPORTING SERVICES	7,372,570	6,882,950	6,701,461	181,489
COMMUNITY SERVICES				
Child care				
Salaries	20,300	19,420	19,396	24
Benefits	5,080	4,610	4,120	490
Purchased services	550	180	165	15
Supplies, materials, and other	1,700	2,360	2,344	16
TOTAL COMMUNITY SERVICES	27,630	26,570	26,025	545
OTHER FINANCING USES				
Transfers to other funds	388,160	347,750	347,743	7
Other	10,000	4,700	4,429	271
TOTAL OTHER FINANCING USES	398,160	352,450	352,172	278
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 21,363,230	\$ 20,518,640	\$ 20,208,502	\$ 310,138

OTHER SUPPLEMENTARY INFORMATION

Tri County Area Schools
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET

June 30, 2010

	Special Revenue		Debt
	Food Service	Athletics	1999 Debt
ASSETS			
Cash	\$ 223,896	\$ 5,019	\$ 43,449
Taxes receivable	-	-	-
Due from other governmental units	4,279	-	-
Inventory	16,894	-	-
TOTAL ASSETS	\$ 245,069	\$ 5,019	\$ 43,449
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 168	\$ -	\$ -
Other accrued liabilities	3,095	-	-
Due to other funds	70,780	-	-
Deferred revenue	10,287	-	-
TOTAL LIABILITIES	84,330	-0-	-0-
FUND BALANCES			
Reserved for:			
Inventory and prepaids	16,894	-	-
Debt service	-	-	43,449
Unreserved			
Undesignated, reported in:			
Special revenue funds	143,845	5,019	-
Capital project funds	-	-	-
TOTAL FUND BALANCES	160,739	5,019	43,449
TOTAL LIABILITIES AND FUND BALANCES	\$ 245,069	\$ 5,019	\$ 43,449

	Service		Capital Projects		
2003 Bond Refunding	2005 Bond Refunding	Durant Bonds	Capital Projects	Total	
\$ 191,210	\$ 47,382	\$ -	\$ 284,646	\$ 795,602	
34	14	-	-	48	
-	-	-	-	4,279	
-	-	-	-	16,894	
<u>\$ 191,244</u>	<u>\$ 47,396</u>	<u>\$ -0-</u>	<u>\$ 284,646</u>	<u>\$ 816,823</u>	
\$ -	\$ -	\$ -	\$ -	\$ 168	
-	-	-	-	3,095	
-	-	-	-	70,780	
-	-	-	-	10,287	
-0-	-0-	-0-	-0-	84,330	
-	-	-	-	16,894	
191,244	47,396	-	-	282,089	
-	-	-	-	148,864	
-	-	-	284,646	284,646	
<u>191,244</u>	<u>47,396</u>	<u>-0-</u>	<u>284,646</u>	<u>732,493</u>	
<u>\$ 191,244</u>	<u>\$ 47,396</u>	<u>\$ -0-</u>	<u>\$ 284,646</u>	<u>\$ 816,823</u>	

Tri County Area Schools

Nonmajor Governmental Funds

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

Year Ended June 30, 2010

	Special Revenue		Debt
	Food Service	Athletics	1999 Debt
REVENUES			
Local sources	\$ 248,677	\$ 101,394	\$ 243
State sources	27,324	-	-
Federal sources	589,801	-	-
TOTAL REVENUES	865,802	101,394	243
EXPENDITURES			
Current			
Food service	802,582	-	-
Athletics	-	468,858	-
Capital outlay	11,078	-	-
Debt service			
Principal retirement	-	-	-
Interest, fiscal and other charges	-	-	477
TOTAL EXPENDITURES	813,660	468,858	477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,142	(367,464)	(234)
OTHER FINANCING SOURCES			
Transfers from other funds	-	347,743	-
NET CHANGE IN FUND BALANCES	52,142	(19,721)	(234)
Fund balances, beginning of year	108,597	24,740	43,683
Fund balances, end of year	\$ 160,739	\$ 5,019	\$ 43,449

	Service		Capital Projects		
2003 Bond Refunding	2005 Bond Refunding	Durant Bonds	Capital Projects	Total	
\$ 688,752	\$ 291,363	\$ -	\$ 5,048	\$ 1,335,477	
-	-	10,862	-	38,186	
-	-	-	-	589,801	
688,752	291,363	10,862	5,048	1,963,464	
-	-	-	-	802,582	
-	-	-	-	468,858	
-	-	-	-	11,078	
585,000	220,000	9,018	-	814,018	
209,635	107,915	1,844	-	319,871	
794,635	327,915	10,862	-0-	2,416,407	
(105,883)	(36,552)	-0-	5,048	(452,943)	
-	-	-	-	347,743	
(105,883)	(36,552)	-0-	5,048	(105,200)	
297,127	83,948	-	279,598	837,693	
<u>\$ 191,244</u>	<u>\$ 47,396</u>	<u>\$ -0-</u>	<u>\$ 284,646</u>	<u>\$ 732,493</u>	

Tri County Area Schools

Proprietary Funds - Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

June 30, 2010

	Retirement Payout Fund	Health Insurance Services Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets			
Cash	\$ 619,714	\$ 6,770	\$ 626,484
Due from other funds	155,249	-	155,249
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	774,963	6,770	781,733
LIABILITIES			
Current liabilities			
Accounts payable	-	2,883	2,883
Compensated absences	109,072	-	109,072
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	109,072	2,883	111,955
Noncurrent liabilities			
Compensated absences	665,891	-	665,891
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	774,963	2,883	777,846
NET ASSETS			
Unrestricted	\$ -0-	\$ 3,887	\$ 3,887
	<u> </u>	<u> </u>	<u> </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, 2010

	Retirement Payout Fund	Health Insurance Services Fund	Total
	<u> </u>	<u> </u>	<u> </u>
OPERATING REVENUES			
Charges for services	\$ -	\$ 235,110	\$ 235,110
OPERATING EXPENSES			
Fringe benefits	<u>-</u>	<u>231,354</u>	<u>231,354</u>
OPERATING INCOME	-0-	3,756	3,756
NONOPERATING REVENUES			
Interest revenue	<u>-</u>	<u>131</u>	<u>131</u>
CHANGE IN NET ASSETS	-0-	3,887	3,887
Net assets, beginning of year	<u>-</u>	<u>-</u>	<u>-0-</u>
Net assets, end of year	<u>\$ -0-</u>	<u>\$ 3,887</u>	<u>\$ 3,887</u>

Tri County Area Schools
Proprietary Funds - Internal Service Funds
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

	Retirement Payout Fund	Health Insurance Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers/other funds	\$ 227,293	\$ 235,110	\$ 462,403
Cash paid for employee and retiree benefits	(62,643)	(237,975)	(300,618)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	164,650	(2,865)	161,785
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	-	131	131
NET INCREASE (DECREASE) IN CASH	164,650	(2,734)	161,916
Cash, beginning of year	455,064	9,504	464,568
Cash, end of year	\$ 619,714	\$ 6,770	\$ 626,484
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income	\$ -	\$ 3,756	\$ 3,756
Adjustments to reconcile operating income to cash provided (used) by operating activities			
(Decrease) in accounts payable	-	(6,621)	(6,621)
Decrease in due from other funds	164,497	-	164,497
Increase in compensated absences	153	-	153
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 164,650	\$ (2,865)	\$ 161,785