

TREYNOR COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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Treynor Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2009 Election)		
Sally Myers	President	2009
Joshua Guttau	Vice President	2011
Neal Andersen	Board Member	2011
Gary Funkhouser	Board Member	2009
Jerry Hempel	Board Member	2011

(After September 2009 Election)

Jerry Hempel	President	2011
Neal Andersen	Vice President	2011
Gary Funkhouser	Board Member	2013
Joshua Guttau	Board Member (resigned)	2011
Doug Klahn	Board Member (appointed)	2011
Sally Myers	Board Member	2013

School Officials

Kevin Elwood	Superintendent	2010
Robert Gronstal	Board Secretary/ District Treasurer	2010
Joe Thornton	Attorney	2010

TREYNOR COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Treyvor Community School District:

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund, and the aggregate remaining fund information of the Treyvor Community School District, Treyvor, Iowa 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 District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Business type activities, each major fund, and the aggregate remaining fund information of the Treyvor Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2011 on our consideration of the Treyvor Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Treynor Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Treynor Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,307,349 in fiscal 2009 to \$5,736,995 in fiscal 2010, while General Fund expenditures increased from \$5,539,650 in fiscal 2009 to \$5,652,097 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$20,037 in fiscal 2009 to a balance of \$104,935 in fiscal 2010, a 423.71% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property taxes and federal revenues in fiscal 2010. The increase in expenditures was due primarily to an increase in the instruction functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

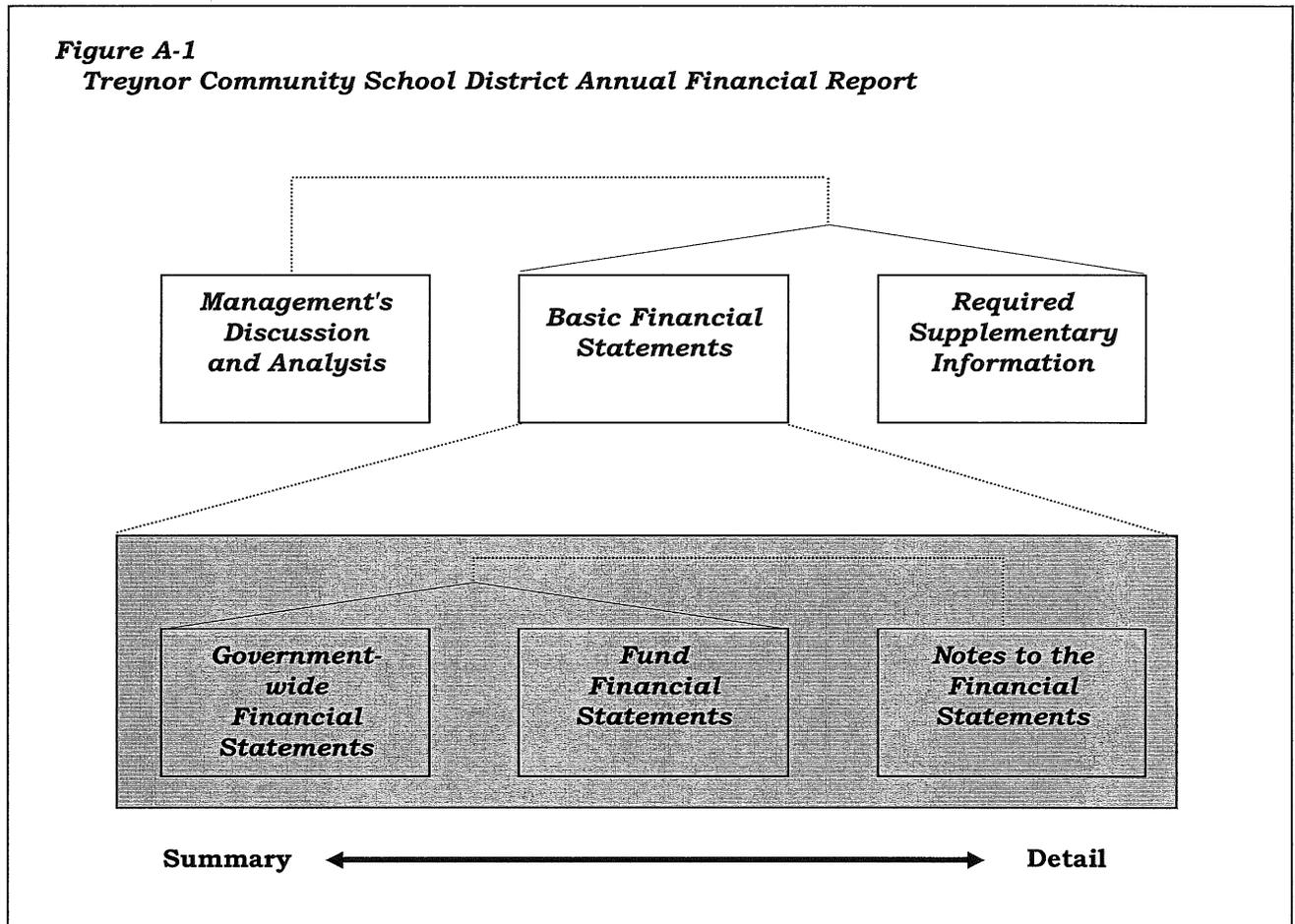


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 5,096,252	5,002,869	45,857	55,302	5,142,109	5,058,171	1.66%
Capital assets	11,623,930	11,750,006	161,180	180,809	11,785,110	11,930,815	-1.22%
Total assets	16,720,182	16,752,875	207,037	236,111	16,927,219	16,988,986	-0.36%
Long-term obligations	7,566,460	7,948,496	462	0	7,566,922	7,948,496	-4.80%
Other liabilities	3,484,991	3,604,780	31,040	29,645	3,516,031	3,634,425	-3.26%
Total liabilities	11,051,451	11,553,276	31,502	29,645	11,082,953	11,582,921	-4.32%
Net assets:							
Invested in capital assets, net of related debt	4,320,226	4,041,269	161,180	180,809	4,481,406	4,222,078	6.14%
Restricted	1,500,537	1,235,327	0	0	1,500,537	1,235,327	21.47%
Unrestricted	(152,032)	(76,997)	14,355	25,657	(137,677)	(51,340)	-168.17%
Total net assets	\$ 5,668,731	5,199,599	175,535	206,466	5,844,266	5,406,065	8.11%

The District's combined net assets increased by \$438,201 or by 8.11%, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$265,210, or 21.47% over the prior year. The increase is due to the revenues exceeding expenses, in the Debt Service Fund, reducing the fund balance to a deficit.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$86,337, or 168.17%. This decrease in unrestricted net assets was primarily a result the District spending a portion prior year's fund balance to fund increased costs of operation.

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

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,230,668	1,156,151	248,880	235,230	1,479,548	1,391,381	6.34%
Operating grants and contributions and restricted interest	1,067,311	676,491	97,519	85,993	1,164,830	762,484	52.77%
General revenues:							
Property tax	2,285,908	2,308,458	0	0	2,285,908	2,308,458	-0.98%
Income surtax	191,835	118,856	0	0	191,835	118,856	100.00%
Statewide sales, services and use tax	500,535	491,780	0	0	500,535	491,780	1.78%
Unrestricted state grants	1,810,774	2,005,429	0	0	1,810,774	2,005,429	-9.71%
Other	76,531	84,455	2,061	5,029	78,592	89,484	-12.17%
Total revenues and transfers	7,163,562	6,841,620	348,460	326,252	7,512,022	7,167,872	4.80%
Program expenses:							
Governmental activities:							
Instructional	4,097,504	3,988,596	0	0	4,097,504	3,988,596	2.73%
Support services	1,651,544	1,564,412	0	0	1,651,544	1,564,412	5.57%
Non-instructional programs	0	0	379,391	332,808	379,391	332,808	14.00%
Other expenditures	945,382	909,332	0	0	945,382	909,332	3.96%
Total expenses	6,694,430	6,462,340	379,391	332,808	7,073,821	6,795,148	4.10%
Changes in net assets	469,132	379,280	(30,931)	(6,556)	438,201	372,724	17.57%
Beginning net assets	5,199,599	4,820,319	206,466	213,022	5,406,065	5,033,341	7.41%
Ending net assets	\$ 5,668,731	5,199,599	175,535	206,466	5,844,266	5,406,065	8.11%

In fiscal 2010, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 66.85% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.41% of the revenue from business type activities.

The District's total revenues were approximately \$7.51 million of which approximately \$7.16 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.80% increase in revenues and a 4.10% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

Governmental Activities

Revenues for governmental activities were \$7,163,562 and expenses were \$6,694,430.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,097,504	3,988,596	2.73%	2,044,886	2,385,352	-14.27%
Support services	1,651,544	1,564,412	5.57%	1,636,654	1,542,239	6.12%
Non-instructional programs	0	0	0.00%	0	0	0.00%
Other expenses	945,382	909,332	3.96%	714,911	702,107	1.82%
Totals	<u>\$ 6,694,430</u>	<u>6,462,340</u>	<u>3.59%</u>	<u>4,396,451</u>	<u>4,629,698</u>	<u>-5.04%</u>

- The cost financed by users of the District's programs was \$1,230,668.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,067,311.
- The net cost of governmental activities was financed with \$2,285,908 in property tax, \$191,835 in income surtax \$500,535 in statewide sales and services tax, \$1,810,774 in unrestricted state grants, \$14,803 in interest income, and \$61,728 in miscellaneous income.

Business type Activities

Revenues of the District's business type activities were \$348,460 and expenses were \$379,391. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,501,848, above last year's ending fund balances of \$1,328,544. The primary reason for the increase in combined fund balances in fiscal 2010 was due to the fund balances in each fund increase, except for the Debt Service Fund.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal 2010 increased 8.10%, or \$429,646 as compared to one year ago. The total expenditures also increased by \$112,447, or 2.03%. With these factors, the General Fund balance increased by \$84,898 or 423.71%.
- The Capital Projects Fund balance increased from \$1,088,724 in fiscal 2009 to \$1,209,696 in fiscal 2010. This is due to an increase in sales and service tax collected exceeding expenses.
- The Debt Service Fund balance decreased from a deficit \$67,540 in fiscal 2009 to a deficit balance of \$111,031 in fiscal 2010. The decrease is due to issuance of additional long-term debt.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$206,466 at June 30, 2009 to \$175,535 at June 30, 2010, representing a decrease of 14.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$174,946 less than budgeted revenues, a variance of 2.29%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$11,785,110, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$407,851.

The original cost of the District's capital assets was \$16,784,707. Governmental funds account for \$16,539,585 with the remainder of \$245,122 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 250,401	250,401	0	0	250,401	250,401	0.00%
Buildings	10,834,318	10,963,749	0	0	10,834,318	10,963,749	-1.19%
Land improvements	274,732	293,064	0	0	274,732	293,064	-6.67%
Machinery and equipment	264,479	242,792	161,180	180,809	425,659	423,601	0.48%
Total	\$ 11,623,930	11,750,006	161,180	180,809	11,785,110	11,930,815	-1.22%

Long-Term Debt

At June 30, 2010, the District had \$7,566,922 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 4.80% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$7,115,000 at June 30, 2010.

The District had total outstanding revenue bonded indebtedness of \$345,000 at June 30, 2010.

The District had total outstanding compensated absences payable from the General Fund of \$26,355 at June 30, 2010.

The District had total early retirement payable from the Management Fund of \$48,443 at June 30, 2010.

The District had a Net OPEB liability of \$32,124 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2009-10
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	
General obligation bonds	\$ 7,115,000	7,415,000	0	0	7,115,000	7,415,000	-4.05%
Revenue bonds	345,000	510,000	0	0	345,000	510,000	-32.35%
Compensated absences	26,355	23,496	0	0	26,355	23,496	12.17%
Early retirement	48,443	0	0	0	48,443	0	100.00%
Net OPEB liability	31,662	0	462	0	32,124	0	100.00%
Total	\$ 7,566,460	7,948,496	462	0	7,566,922	7,948,496	-4.80%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases in the past has negatively impacted the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Gronstal, Board Secretary, Treynor Community School District, 102 East Main Street, P.O. Box 369, Treynor, Iowa, 51575.

TREYNOR COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
Other	1,836,359	36,848	1,873,207
Receivables:			
Property tax:			
Delinquent	13,607	0	13,607
Succeeding year	2,914,276	0	2,914,276
Income surtax	157,457	0	157,457
Due from other governments	174,553	0	174,553
Inventories	0	9,009	9,009
Capital assets, net of accumulated depreciation	11,623,930	161,180	11,785,110
TOTAL ASSETS	16,720,182	207,037	16,927,219
LIABILITIES			
Accounts payable	32,524	0	32,524
Salaries and benefits payable	490,147	24,462	514,609
Accrued interest payable	48,044	0	48,044
Deferred revenue:			
Succeeding year property tax	2,914,276	0	2,914,276
Unearned revenue	0	6,578	6,578
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	305,000	0	305,000
Revenue bonds payable	170,000	0	170,000
Compensated absences payable	26,355	0	26,355
Early retirement payable	12,111	0	12,111
Portion due after one year:			
General obligation bonds payable	6,810,000	0	6,810,000
Revenue bonds payable	175,000	0	175,000
Early retirement payable	36,332	0	36,332
Net OPEB liability	31,662	462	32,124
TOTAL LIABILITIES	11,051,451	31,502	11,082,953
NET ASSETS			
Invested in capital assets, net of related debt	4,320,226	161,180	4,481,406
Restricted for:			
Categorical funding	162,674	0	162,674
Capital projects	1,053,400	0	1,053,400
Physical plant and equipment levy	235,384	0	235,384
Other special revenue purposes	49,079	0	49,079
Unrestricted	(152,032)	14,355	(137,677)
TOTAL NET ASSETS	\$ 5,668,731	175,535	5,844,266

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,133,299	960,354	682,085	(1,490,860)	0	(1,490,860)
Special	413,797	80,307	113,466	(220,024)	0	(220,024)
Other	550,408	190,007	26,399	(334,002)	0	(334,002)
	<u>4,097,504</u>	<u>1,230,668</u>	<u>821,950</u>	<u>(2,044,886)</u>	<u>0</u>	<u>(2,044,886)</u>
Support services:						
Student	177,322	0	0	(177,322)	0	(177,322)
Instructional staff	138,208	0	0	(138,208)	0	(138,208)
Administration	491,353	0	0	(491,353)	0	(491,353)
Operation and maintenance of plant	563,123	0	0	(563,123)	0	(563,123)
Transportation	281,538	0	14,890	(266,648)	0	(266,648)
	<u>1,651,544</u>	<u>0</u>	<u>14,890</u>	<u>(1,636,654)</u>	<u>0</u>	<u>(1,636,654)</u>
Other expenditures:						
Facilities acquisitions	83,377	0	0	(83,377)	0	(83,377)
Long-term debt interest	316,373	0	0	(316,373)	0	(316,373)
AEA flowthrough	230,471	0	230,471	0	0	0
Depreciation(unallocated)*	315,161	0	0	(315,161)	0	(315,161)
	<u>945,382</u>	<u>0</u>	<u>230,471</u>	<u>(714,911)</u>	<u>0</u>	<u>(714,911)</u>
Total governmental activities	6,694,430	1,230,668	1,067,311	(4,396,451)	0	(4,396,451)
Business Type activities:						
Non-instructional programs:						
Nutrition services	379,391	248,880	97,519	0	(32,992)	(32,992)
Total business type activities	<u>379,391</u>	<u>248,880</u>	<u>97,519</u>	<u>0</u>	<u>(32,992)</u>	<u>(32,992)</u>
Total	\$ 7,073,821	1,479,548	1,164,830	(4,396,451)	(32,992)	(4,429,443)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,690,293	0	1,690,293
Debt service				538,925	0	538,925
Capital outlay				56,690	0	56,690
Income surtax				191,835	0	191,835
Statewide sales, services and use tax				500,535	0	500,535
Unrestricted state grants				1,810,774	0	1,810,774
Unrestricted investment earnings				14,803	43	14,846
Other general revenues				61,728	2,018	63,746
Total general revenues				<u>4,865,583</u>	<u>2,061</u>	<u>4,867,644</u>
Changes in net assets				469,132	(30,931)	438,201
Net assets beginning of year				<u>5,199,599</u>	<u>206,466</u>	<u>5,406,065</u>
Net assets end of year				\$ 5,668,731	175,535	5,844,266

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
Other	536,666	995,360	6,883	297,450	1,836,359
Receivables:					
Property tax:					
Delinquent	9,990	0	2,819	798	13,607
Succeeding year	2,210,416	0	533,439	170,421	2,914,276
Income surtax	157,457	0	0	0	157,457
Interfund	0	120,733	0	0	120,733
Due from other governments	80,320	94,233	0	0	174,553
TOTAL ASSETS	\$ 2,994,849	1,210,326	543,141	468,669	5,216,985
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	120,733	0	120,733
Accounts payable	31,894	630	0	0	32,524
Salaries and benefits payable	490,147	0	0	0	490,147
Deferred revenue:					
Succeeding year property tax	2,210,416	0	533,439	170,421	2,914,276
Income surtax	157,457	0	0	0	157,457
Other	0	0	0	0	0
Total liabilities	2,889,914	630	654,172	170,421	3,715,137
Fund balances:					
Reserved for:					
Construction	0	156,296	0	0	156,296
Categorical funding	162,674	0	0	0	162,674
Unreserved	(57,739)	1,053,400	(111,031)	298,248	1,182,878
Total Fund balances	104,935	1,209,696	(111,031)	298,248	1,501,848
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,994,849	1,210,326	543,141	468,669	5,216,985

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

Total fund balances of governmental funds (page 20)	\$	1,501,848
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		11,623,930
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(48,044)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		157,457
Long-term liabilities, including bonds and notes payable, compensated absences payable, early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(7,566,460)
		(7,566,460)
Net assets of governmental activities (page 18)	\$	5,668,731

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,762,704	500,535	538,925	137,513	2,939,677
Tuition	1,008,067	0	0	0	1,008,067
Other	88,418	2,863	10,610	197,241	299,132
State sources	2,422,557	0	220	59	2,422,836
Federal sources	455,249	0	0	0	455,249
Total revenues	5,736,995	503,398	549,755	334,813	7,124,961
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,045,237	0	0	0	3,045,237
Special	413,797	0	0	0	413,797
Other	362,391	0	0	176,962	539,353
	3,821,425	0	0	176,962	3,998,387
Support services:					
Student	175,816	0	0	0	175,816
Instructional staff	137,260	0	0	0	137,260
Administration	485,321	0	0	0	485,321
Operation and maintenance of plant	490,592	0	0	84,816	575,408
Transportation	311,212	0	0	6,589	317,801
	1,600,201	0	0	91,405	1,691,606
Other expenditures:					
Facilities acquisitions	0	241,946	0	8,829	250,775
Long-term debt:					
Principal	0	0	455,000	0	455,000
Interest and fiscal charges	0	0	317,640	0	317,640
AEA flowthrough	230,471	0	0	0	230,471
	230,471	241,946	772,640	8,829	1,253,886
Total expenditures	5,652,097	241,946	772,640	277,196	6,943,879
Excess(deficiency) of revenues over(under) expenditures before other financing sources(uses)	84,898	261,452	(222,885)	57,617	181,082
OTHER FINANCING SOURCES(USES):					
Transfer in	0	46,692	187,172	0	233,864
Transfer out	0	(187,172)	0	(46,692)	(233,864)
Refunding bond issuance	0	0	760,000	0	760,000
Payment to escrow	0	0	(770,000)	0	(770,000)
Issuance costs	0	0	(12,635)	0	(12,635)
Premium on bonds	0	0	26,730	0	26,730
Discount on issuance of bonds	0	0	(11,873)	0	(11,873)
Total other financing sources(uses)	0	(140,480)	179,394	(46,692)	(7,778)
Net change in fund balances	84,898	120,972	(43,491)	10,925	173,304
Fund balance beginning of year	20,037	1,088,724	(67,540)	287,323	1,328,544
Fund balance end of year	\$ 104,935	1,209,696	(111,031)	298,248	1,501,848

SEE NOTES TO BASIC FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds (page 22) \$ 173,304

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

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

Expenditures for capital assets	\$ 262,146	
Depreciation expense	(388,222)	(126,076)

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments, are as follows:

Issued	(760,000)	
Repaid	1,225,000	465,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

38,601

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,267

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

Early retirement	\$ (48,443)	
Compensated absences	(2,859)	
Other postemployment benefits	(31,662)	(82,964)

Changes in net assets of governmental activities (page 19) \$ 469,132

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 36,848
Inventories	9,009
Capital assets, net of accumulated depreciation	161,180
TOTAL ASSETS	<u>207,037</u>
LIABILITIES	
Salaries and benefits payable	24,462
Unearned revenue	6,578
Long-term liabilities:	
Net OPEB obligation	462
TOTAL LIABILITIES	<u>31,502</u>
NET ASSETS	
Invested in capital assets	161,180
Unrestricted	14,355
TOTAL NET ASSETS	<u>\$ 175,535</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 248,880
Miscellaneous revenue	2,018
TOTAL OPERATING REVENUES	250,898
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	135,746
Benefits	26,932
Services	3,057
Supplies	193,873
Depreciation	19,629
Other	154
TOTAL OPERATING EXPENSES	379,391
OPERATING LOSS	(128,493)
NON-OPERATING REVENUES:	
State sources	3,857
Federal sources	93,662
Interest income	43
TOTAL NON-OPERATING REVENUES	97,562
Change in net assets	(30,931)
Net assets beginning of year	206,466
Net assets end of year	\$ 175,535

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 268,044
Cash received from miscellaneous sources	2,018
Cash payments to employees for services	(160,494)
Cash payments to suppliers for goods or services	(167,190)
Net cash used in operating activities	(57,622)
Cash flows from non-capital financing activities:	
State grants received	3,857
Federal grants received	62,632
Net cash provided by non-capital financing activities	66,489
Cash flows from capital financing activities:	
Acquisition of assets	0
Cash flows from investing activities:	
Interest on investments	43
Net decrease in cash and cash equivalents	8,910
Cash and cash equivalents at beginning of year	27,938
Cash and cash equivalents at end of year	\$ 36,848
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (128,493)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,030
Depreciation	19,629
Increase in inventories	(1,136)
Decrease in accounts receivable	19,491
Increase in salaries and benefits payable	1,722
Decrease in deferred revenue	(327)
Increase in OPEB liability	462
Net cash used in operating activities	\$ (57,622)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$31,030.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies**

The Treynor Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Treynor, Iowa, and the predominate agricultural territory in Pottawattamie and Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payments of principal and interest on the District's general long-term debt.

The District reports the following major proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

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

At June 30, 2010 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$408 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide sales, services and use tax	\$ 187,172
Capital Projects: GO Bond Construction	Capital Projects: Statewide sales, services and use tax	46,692
Total		<u>\$ 233,864</u>

The Capital Projects fund is transferred money to the Debt Service Levy Fund to Fund for principal and interest payments on the general obligations bonds.

The Capital Projects: Statewide sales and service tax transferred money to the Capital Projects: General Obligation Bond Construction to assist in funding construction costs.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	6/25/09	6/23/10	\$ 0	350,000	350,000	0

During the year ended June 30, 2010, the District paid \$1,491 of interest on the ISCAP.

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 250,401	0	0	250,401
Total capital assets not being depreciated	250,401	0	0	250,401
Capital assets being depreciated:				
Buildings	14,378,680	167,398	0	14,546,078
Land improvements	651,141	0	0	651,141
Machinery and equipment	1,028,334	94,748	31,117	1,091,965
Total capital assets being depreciated	16,058,155	262,146	31,117	16,289,184
Less accumulated depreciation for:				
Buildings	3,414,931	296,829	0	3,711,760
Land improvements	358,077	18,332	0	376,409
Machinery and equipment	785,542	73,061	31,117	827,486
Total accumulated depreciation	4,558,550	388,222	31,117	4,915,655
Total capital assets being depreciated, net	11,499,605	(126,076)	0	11,373,529
Governmental activities capital assets, net	\$ 11,750,006	(126,076)	0	11,623,930
Business type activities:				
Machinery and equipment	\$ 245,122	0	0	245,122
Less accumulated depreciation	64,313	19,629	0	83,942
Business type activities capital assets, net	\$ 180,809	(19,629)	0	161,180

Depreciation expense was charged to the following functions:

Governmental activities:			
Instruction:			
Regular		\$	15,507
Other			17,488
Support services:			
Administration			3,562
Operation and maintenance of plant			5,466
Transportation			31,038
Unallocated depreciation			73,061
			315,161
Total governmental activities depreciation expense		\$	388,222
Business type activities:			
Food services		\$	19,629

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 7,415,000	760,000	1,060,000	7,115,000	305,000
Revenue bonds	510,000	0	165,000	345,000	0
Compensated absences	23,496	26,355	23,496	26,355	26,355
Early retirement	0	48,443	0	48,443	12,111
Net OPEB liability	0	31,662	0	31,662	0
Total	\$ 7,948,496	866,460	1,248,496	7,566,460	343,466
Business type activities					
Net OPEB liability	\$ 0	462	0	462	0

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonds, Fund, are as follows:

Year Ending June 30,	Bond Issue of June 1, 2003			Bond Issue of June 1, 2007		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2011	3.15%	60,000	62,525	3.96%	0	185,657
2012	3.25%	65,000	60,635	3.96%	0	185,657
2013	3.35%	60,000	58,523	3.96%	0	185,657
2014	4.00%	345,000	56,512	3.96%	0	185,658
2015	4.00%	360,000	42,713	3.96%	0	185,658
2016-2020	3.65-3.75%	765,000	42,937	3.80-3.96%	1,210,000	883,436
2021-2025	-	0	0	3.90-4.00%	2,385,000	514,760
2026-2027	-	0	0	4.00%	1,105,000	66,800
Total		\$ 1,655,000	323,845		\$ 4,700,000	2,393,283

Year Ending June 30,	Bond Issue of March 15, 2010			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2011	3.00%	245,000	25,713	305,000	273,895	578,895
2012	3.00%	250,000	15,450	315,000	261,742	576,742
2013	3.00%	265,000	7,950	325,000	252,130	577,130
2014	-	0	0	345,000	242,170	587,170
2015	-	0	0	360,000	228,371	588,371
2016-2020	-	0	0	1,975,000	926,373	2,901,373
2021-2025	-	0	0	2,385,000	514,760	2,899,760
2026-2027	-	0	0	1,105,000	66,800	1,171,800
Total		\$ 760,000	49,113	7,115,000	2,766,241	9,881,241

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales and services tax revenue bonded indebtedness, which is paid with Statewide Sales and Services Tax reported in the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			
	Interest Rate	Principal	Interest	Total
2011	4.15%	\$ 0	18,349	18,349
2012	4.25%	170,000	11,313	181,313
2013	4.40%	175,000	3,850	178,850
Total		\$ 345,000	33,512	378,512

The District has pledged future statewide sales and services tax revenues to repay the \$1,375,000, issued on July 1, 2003. The statewide sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2013. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 37.92% of the statewide sales and services tax revenues. The total principal and interest remaining to paid on the notes is \$378,512. For the current year, the principal and interest paid on the bonds was \$10,886 and the statewide sales and services tax revenues were \$500,535.

(7) Advance Refunding

On March 15, 2010, the District issued \$760,000 in general obligation bonds to advance refund \$770,000 to call the outstanding general obligation bonds dated May 1, 1998. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond funding is \$35,774.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$231,192, \$216,249, and \$186,194, respectively, equal to the required contributions for each year.

(9) **Other Postemployment Benefits (OPEB)**

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 56 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 39,118
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>39,118</u>
Contributions made	<u>(6,994)</u>
Increase in net OPEB obligation	32,124
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u>\$ 32,124</u>

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

For the ended June 30, 2010, the District contributed \$6,994 to the medical plan. Plan members eligible for benefits contributed \$25,130 of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 39,118	17.9%	\$ 32,124

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$316,236, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$316,234. The covered payroll (annual payroll of active employees covered by the plan) was \$2,567,079 and the ratio of UAAL to covered payroll was 12.3%. As of June 30, 2010 there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy and a health cost trend rate of 6% per year

The most recent aging curve study was presented by the Society of Actuaries in February 2006 this was the bases for the "Aging Cost Assumption" used in the actuarial valuation.

Projected premium costs of the medical plan are \$2,630 per month for the retired members of the plan and \$1,315 for the active employees. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

(10) Risk Management

The Treynor Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed

July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2010 were \$64,052.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$230,471 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Deficit Fund Balance

The Debt Service Levy Fund had a deficit fund balance at June 30, 2010 of \$111,031.

The General Fund had a deficit unreserved fund balance at June 30, 2010 of \$57,689.

Governmental Activities had deficit unrestricted net assets of \$152,032 at June 30, 2010.

(13) Categorical Funding

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

Project	Amount
Talented and gifted	\$ 49,877
Weighted early intervention	9,350
Modified early intervention	27,481
Beginning teacher mentoring and induction program	155
Teacher quality supplement	41,847
Beginning administrator mentoring and induction program	1,500
Model core curriculum	13,362
Professional development	17,185
Market factor incentives	1,917
Total	<u>\$ 162,674</u>

TREYNOR COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,246,876	250,941	4,497,817	4,390,588	4,390,588	107,229
State sources	2,422,836	3,857	2,426,693	3,015,779	3,015,779	(589,086)
Federal sources	455,249	93,662	548,911	242,000	242,000	306,911
Total revenues	<u>7,124,961</u>	<u>348,460</u>	<u>7,473,421</u>	<u>7,648,367</u>	<u>7,648,367</u>	<u>(174,946)</u>
Expenditures/expenses:						
Instruction	3,998,387	0	3,998,387	3,998,984	3,998,984	597
Support services	1,691,606	0	1,691,606	2,395,237	2,395,237	703,631
Non-instructional	0	379,391	379,391	590,423	590,423	211,032
Other expenditures	1,253,886	0	1,253,886	2,217,519	2,217,519	963,633
Total expenditures/expenses	<u>6,943,879</u>	<u>379,391</u>	<u>7,323,270</u>	<u>9,202,163</u>	<u>9,202,163</u>	<u>1,878,893</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	181,082	(30,931)	150,151	(1,553,796)	(1,553,796)	1,703,947
Other financing uses, net	<u>(7,778)</u>	<u>0</u>	<u>(7,778)</u>	<u>0</u>	<u>0</u>	<u>(7,778)</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	173,304	(30,931)	142,373	(1,553,796)	(1,553,796)	1,696,169
Balance beginning of year	<u>1,328,544</u>	<u>206,466</u>	<u>1,535,010</u>	<u>1,623,158</u>	<u>1,623,158</u>	<u>(88,148)</u>
Balance end of year	<u>\$ 1,501,848</u>	<u>175,535</u>	<u>1,677,383</u>	<u>69,362</u>	<u>69,362</u>	<u>1,608,021</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 316	316	0.0%	\$ 2,567	12.3%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 49,079	13,283	235,088	297,450
Receivables:				
Property tax:				
Delinquent	0	502	296	798
Succeeding year	0	110,000	60,421	170,421
TOTAL ASSETS	\$ 49,079	123,785	295,805	468,669
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 0	110,000	60,421	170,421
Total Liabilities	0	110,000	60,421	170,421
Fund balances:				
Unreserved	49,079	13,785	235,384	298,248
Total fund balances	49,079	13,785	235,384	298,248
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,079	123,785	295,805	468,669

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Nonmajor Special Revenue Funds			Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 0	80,823	56,690	137,513
Other	186,580	10,601	60	197,241
State sources	0	36	23	59
TOTAL REVENUES	186,580	91,460	56,773	334,813
EXPENDITURES:				
Current:				
Instruction:				
Other	176,962	0	0	176,962
Support services:				
Student services	0	0	0	0
Administration services	0	0	0	0
Operation and maintenance of plant	0	84,816	0	84,816
Transportation	0	6,589	0	6,589
Non-instructional programs:				
Operation of non-instructional programs	0	0	0	0
Other expenditures:				
Facilities acquisitions	0	0	8,829	8,829
TOTAL EXPENDITURES	176,962	91,405	8,829	277,196
Excess of revenues over expenditures before other financing uses	9,618	55	47,944	57,617
OTHER FINANCING USES:				
Transfer out	0	0	(46,692)	(46,692)
Excess of revenues and other financing uses over expenditures	9,618	55	1,252	10,925
FUND BALANCE BEGINNING OF YEAR	39,461	13,730	234,132	287,323
FUND BALANCE END OF YEAR	\$ 49,079	13,785	235,384	298,248

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 53	323	376	0
Drama/Speech	500	284	774	10
Instrumental	500	2,434	2,924	10
Vocal	4,700	3,949	8,639	10
Ticket	0	7,558	7,558	0
Basketball	(367)	16,342	12,969	3,006
Football	2,394	13,898	11,140	5,152
Baseball/Softball	708	13,903	11,571	3,040
Track	275	12,377	10,652	2,000
Golf	500	1,848	0	2,348
Wrestling	2,133	2,558	2,691	2,000
Volleyball	1,616	8,214	7,330	2,500
Jr - Sr High	3,248	3,179	5,435	992
Class of 2008	44	0	0	44
Class of 2009	117	0	0	117
Class of 2010	1,631	0	1,565	66
Class of 2011	0	13,263	11,529	1,734
Student Council	44	9,636	9,375	305
FHA	20	0	0	20
Science Club	10	0	10	0
National Honor Society	10	0	0	10
Book Club	100	344	7	437
Cheerleaders	5,385	12,956	15,390	2,951
I-T Club	0	511	0	511
Business Club	0	5,740	850	4,890
Academic Team	0	100	0	100
Elementary (Student Leader)	5,679	23,183	22,173	6,689
Junior High Leadership	124	370	390	104
Assemblies	100	0	0	100
Yearbook	4,402	15,055	13,143	6,314
Drill Team	3,540	10,839	10,772	3,607
Miscellaneous Fund Balance	1,995	7,716	9,699	12
Total	\$ 39,461	186,580	176,962	49,079

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Capital Project Funds		
	GO	Statewide	Total
	Bond Construction	Sales and Services Tax	
ASSETS			
Cash and pooled investments	\$ 156,296	839,064	995,360
Interfund receivable	0	120,733	120,733
Due from other governments	0	94,233	94,233
TOTAL ASSETS	\$ 156,296	1,054,030	1,210,326
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 0	630	630
Fund balances:			
Unreserved fund balance	156,296	1,053,400	1,209,696
TOTAL LIABILITIES AND FUND BALANCES	\$ 156,296	1,054,030	1,210,326

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

TREYNOR COMMUNITY SCHOOLS DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2010

	Capital Project Funds		
	GO	Statewide	Total
	Bond Construction	Sales and Services Tax	
REVENUES:			
Local sources:			
Local tax	\$ 0	500,535	500,535
Other	99	2,764	2,863
Total revenues	99	503,299	503,398
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	106,758	135,188	241,946
Total expenditures	106,758	135,188	241,946
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(106,659)	368,111	261,452
OTHER FINANCING SOURCES (USES):			
Transfers in	46,692	0	46,692
Transfers out	0	(187,172)	(187,172)
TOTAL OTHER FINANCING SOURCES (USES)	46,692	(187,172)	(140,480)
Net change in fund balances	(59,967)	180,939	120,972
Fund balance beginning year	216,263	872,461	1,088,724
Fund balance end of year	\$ 156,296	1,053,400	1,209,696

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,939,677	2,800,238	2,346,726	2,208,480	2,033,246	1,928,566	1,937,575
Tuition	1,008,067	913,734	830,325	762,074	726,360	598,465	512,865
Other	299,132	326,872	460,214	290,073	260,551	271,575	298,695
State sources	2,422,836	2,614,680	2,720,480	2,376,572	2,204,865	2,110,861	1,926,400
Federal sources	455,249	67,240	61,317	77,328	81,748	115,777	67,217
Total	<u>\$ 7,124,961</u>	<u>6,722,764</u>	<u>6,419,062</u>	<u>5,714,527</u>	<u>5,306,770</u>	<u>5,025,244</u>	<u>4,742,752</u>
Expenditures:							
Current:							
Instruction:							
Regular	\$ 3,045,237	2,970,438	2,754,107	2,563,608	2,254,870	2,158,717	1,970,457
Special	413,797	463,031	321,325	337,545	284,127	241,717	269,001
Other	539,353	522,429	498,299	423,344	410,782	362,745	374,006
Support services:							
Student	175,816	115,192	161,504	93,121	89,597	85,197	82,558
Instructional staff	137,260	157,618	139,872	141,035	122,009	113,293	59,035
Administration	485,321	489,386	461,938	466,336	424,463	397,420	371,509
Operation and maintenance of plant	575,408	613,921	538,937	505,544	485,050	391,884	365,371
Transportation	317,801	278,772	286,897	229,251	218,758	200,794	191,367
Central support	0	0	0	0	0	59,216	3,341
Non-instructional programs	0	0	161	3,936	15,388	0	3,300
Other expenditures:							
Facilities acquisitions	250,775	1,280,496	3,651,565	448,353	188,977	1,250,078	2,310,809
Long-term debt:							
Principal	455,000	440,000	420,000	400,000	520,000	360,000	220,000
Interest and fiscal charges	317,640	337,250	338,434	252,160	231,407	236,071	170,619
AEA flow-through	230,471	207,225	194,933	173,779	157,752	151,671	144,976
Total	<u>\$ 6,943,879</u>	<u>7,875,758</u>	<u>9,767,972</u>	<u>6,038,012</u>	<u>5,403,180</u>	<u>6,008,803</u>	<u>6,536,349</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/ Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	10,630
National School Lunch Program	10.555	FY10	83,032 *
			<u>93,662</u>
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Disaster Grants - Public Assistance	97.036	FY10	3,297
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	15,073
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09	1,666
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	3,332
			<u>20,071</u>
Career and Technical Education - Basic Grants to State:	84.048	FY10	2,454
Safe and Drug-Free Schools and Communities-State Grants	84.186	FY10	1,055
Improving Teacher Quality State Grants (Tile IIA)	84.367	FY10	12,089
Grants for State Assessment and Related Activities (Title IVA)	84.369	FY10	4,622
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY09	45,809
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	252,386
			<u>298,195</u>
Area Education Agency			
Special Education Cluster:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY09	16,616
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	66,466
Special Education - Grants to States	84.027	FY10	30,384
			<u>113,466</u>
Total			<u>\$ 548,911</u>

* - Includes \$31,030 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Treynor Community School District and is presented on the accrual or modified accrual basis OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Treynor Community School District:

We have audited the accompanying financial statements of the governmental activities, the Business type activities, each major fund and the aggregate remaining fund information of Treynor Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Program and on Internal Control over Compliance
In Accordance with OMB Circular A-133

To the Board of Education of the
Treyvor Community School District:

Compliance

We have audited the compliance of Treyvor Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Treyvor Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Treyvor Community School District's management. Our responsibility is to express an opinion on Treyvor Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Treyvor Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Treyvor Community School District's compliance with those requirements.

In our opinion, Treyvor Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Treyvor Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Treyvor Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Treyvor Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSS) – Education State Grants, Recovery Act.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Treynor Community School District did not qualify as a low-risk auditee.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, bank deposits, posting of cash receipts to the cash receipts journal and the recording, preparing and signing of checks are all being done by the same person.

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

Response - The District is continuing to pursue practical alternatives and implement them as soon as possible.

Conclusion - Response accepted.

II-B-10 Deposit Process - We noted during our audit, instances of deposit slips lacking sufficient detail. The lack of sufficient detail on the deposit slip provides a risk of loss due to possible theft, improper use or loss, as well as, lack of reporting of the funds.

Recommendation - The District should review and implement procedures to insure that sufficient detail is on the deposit slip. The District should make sure that the appropriate staff is trained on the process.

Response - Continued training is being emphasized by the District.

Conclusion - Response accepted.

II-C-10 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - Recommendations noted and continued efforts to implement the recommendations are underway.

Conclusion - Response accepted.

- II-D-10 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - The District's Activities Director will be responsible for maintaining necessary timesheets.

Conclusion - Response accepted.

- II-E-10 Employee Compensation - We noted that wages paid to District employees for officiating were not added to the District employees W-2's or the District's 941's.

Recommendation - Wages paid to employees for officiating should be included on the Employee's W-2's and should be reported on the District's payroll reports.

Response - The District will follow the given recommendation.

Conclusion - Response accepted.

- II-F-10 Purchase Orders - We noted during our audit several instances of employees not using purchase orders or the purchase orders were completed after the product was ordered and

received. The District does use purchase orders in the purchase process, however, not all staff are in compliance with the purchase order policy.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also, reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and the necessary changes made so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - Continued emphasis for proper and complete use of purchase orders is in place.

Conclusion - Response accepted.

II-G-10 Cash Payments to Students - It was noted that when students travel on trips that they receive money for meals. The District has no documentation from the sponsor showing the distribution of the funds they received or receipts for the expenditures.

Recommendation - When the District issues money for student trips. The sponsor(s) of the trip should have a student signoff sheet for each student to sign when receiving their portion of the funds and the amount they received. The District should review their procedures and policies in place and implement controls to ensure that the documentation is gathered to support the check issued for cash for the trip.

Response - The District will follow the given recommendation.

Conclusion - Response accepted.

II-H-10 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing,

printing and/or assembling mailings; postage; etc.

e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.

f. If District-sponsored, the District should account for the fund-raising activity.

Response - The District will have the Board approve all future fundraisers.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act

Federal Award Year: 2009 and 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - These cash items, either electronic or physical, are received and recorded by the Superintendent. They are then forwarded to the Board Secretary with proper documentation for posting to proper accounts and/or deposit.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 did not exceed the certified amounts in the functional areas.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District Officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Neal Anderson, Board Member Owns Hawkeye State Construction	Purchased services	\$4,456
Gary Funkhouser, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$550
Mike Travis, 6th Grade Teacher Owns Travis Turf	Grounds maintenance	\$6,700

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with Mike Travis does not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated November 9, 1976, the above transactions with the Gary Funkhouser spouse does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Neal Anderson, does appear to represent a conflict of interest. The District paid Neil Anderson, Board Member, who owns Hawkeye Construction the amount of \$4,456.

Recommendation - When transactions involving a conflict of interest should arise the District should consult legal counsel concerning the transaction.

Response - Legal counsel will be utilized in these situations.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2009 was overstated by two students. This resulted in overstating the total actual enrollment at line 7 by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

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

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

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-10 Statewide Sales, Service and use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions Chapter 423F.3 of the Code of Iowa.

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

Beginning Balance		\$	54,613
Statewide sales, services and use tax			500,535
Expenditures/transfers out:			
School infrastructure:			
Buildings	83,418		
Equipment	51,770		
Debt service for school infrastructure:			
General obligation debt	187,172		322,360
Ending balance		\$	<u>232,788</u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.31020	\$ 187,172
Physical plant and equipment levy	1.34000	128,710

IV-M-10 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - We have been in contact with our bank to implement this.

Conclusion - Response accepted

IV-N-10 Financial Condition - The Debt Service Levy Fund had a deficit fund balance at June 30, 2010 of \$111,031.

The General Fund had a deficit unreserved fund balance at June 30, 2010 of \$57,689.

Governmental Activities has a deficit unrestricted net assets at June 30, 2010 of \$152,032.

Recommendation - The District should monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District is looking into addressing the deficits with additional tax levies.

Conclusion - Response accepted.

IV-O-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Department of Education Uniform Financial Accounting Manual states "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

During our audit, we noted that the District was charging students for extracurricular or co-curricular field trips. The Department of Education has declared that a District may not assess a fee to any student for participating in field trip, if the field trip is during the day

and is counted as a day of instruction. The District should explore and develop policies and procedures for planning field trips in accordance with Department of Education Declaratory Ruling. The District could utilize fundraisers to subsidize such field trips in the future and those funds should be accounted for in the General Fund.

During our audit, we noted that book fairs and other similar fundraisers were being recorded in the Activity Fund; they should be recorded in the General Fund. Also, it appears that some of the teachers were using that money for the purchase of books for their classes. These accounts and expenditures appear to be more instructional in nature and should be moved to the General Fund.

We noted, during our audit, the District hosted and collected rent for district/regional events without paying a portion of the rent collected to the General Fund. According to Chapter 297.7 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

During our audit, we noted that the District has Class of 2008 and 2009 accounts. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund accounts to reduce negative balances.

During our audit, we noted that money was being collected by sponsors and turned into the District office, however, the sponsor was not receiving a monthly statement of their individual accounts. A better control would be to give the sponsor a monthly statement for the monies they turn in to the District office to help ensure accuracy of the accounts.

Response - The District will follow the given recommendations.

Conclusion - Response accepted.

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

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

Response - The recommendation has been implemented.

Conclusion - Response accepted.