

TREYNOR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Treynor Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2011 Election)		
Gary Funkhouser	President	2013
Jerry Hempel	Vice President	2011
Neal Andersen	Board Member	2011
Doug Klahn	Board Member	2011
Sally Myers	Board Member	2013
(After September 2011 Election)		
Jerry Hempel	President	2015
Sally Myers	Vice President	2013
Gary Funkhouser	Board Member	2013
David Paulsen	Board Member	2015
Randall Young	Board Member	2015
School Officials		
Kevin Elwood	Superintendent	2012
Robert Gronstal	Board Secretary/ District Treasurer	2012
Smith Peterson	Attorney	2012

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, 2012, 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, 2012, 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 4, 2013 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.

Members American Institute & Iowa Society of Certified Public Accountants

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 five years ended June 30, 2011 (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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 4, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,496,919 in fiscal 2011 to \$6,851,845 in fiscal 2012, and General Fund expenditures increased from \$5,720,563 in fiscal 2011 to \$6,152,852 in fiscal 2012. The District's General Fund balance increased from \$881,291 in fiscal 2011 to a balance of \$1,580,284 in fiscal 2012, a 79.31% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state revenues in fiscal 2012. The increase in expenditures was due primarily to an increase in the support services 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

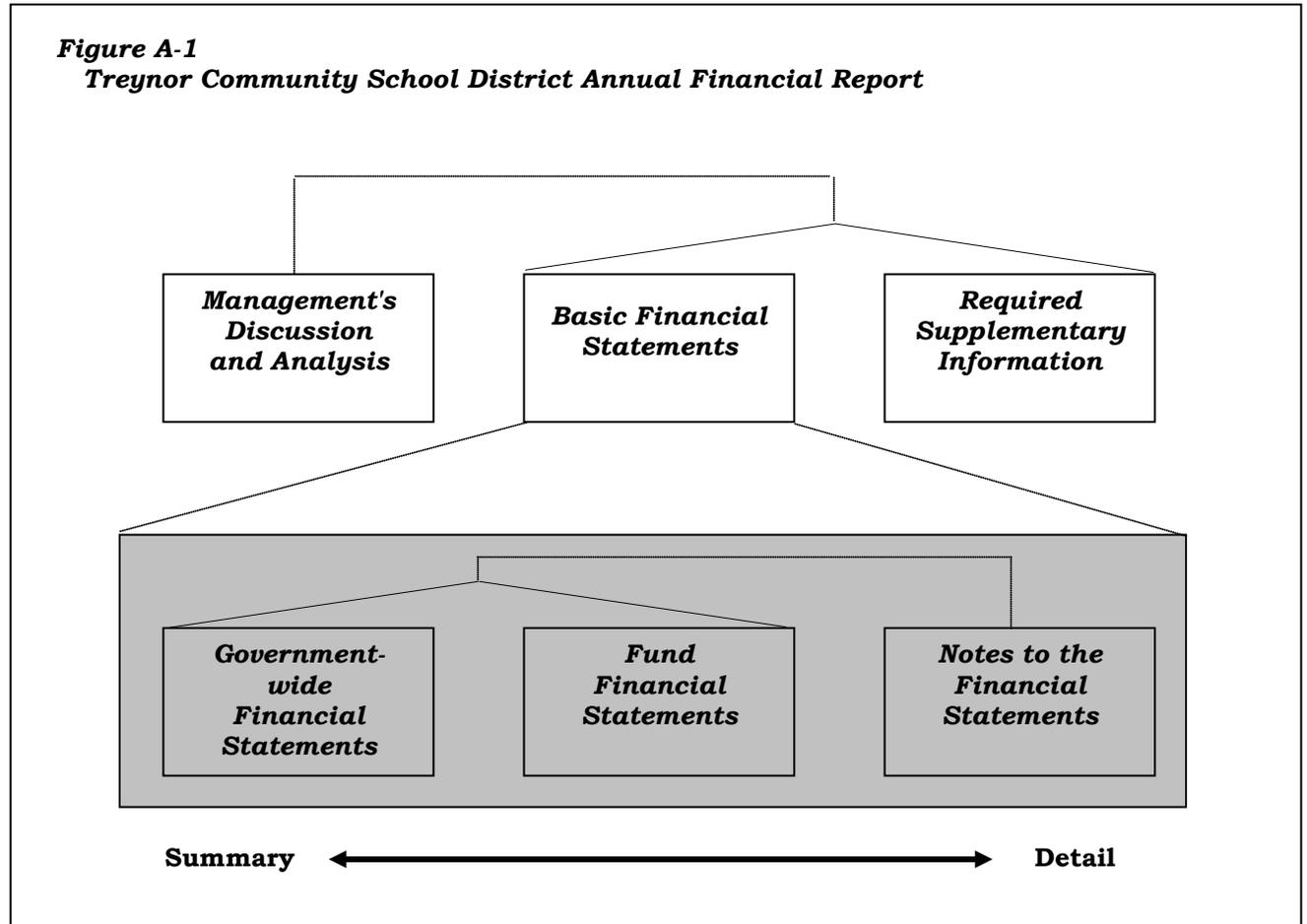


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in fund 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 net assets, a statement of revenues, expenses and changes in fund 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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 7,260,544	6,390,796	105,794	53,108	7,366,338	6,443,904	14.31%
Capital assets	11,174,240	11,308,958	136,166	156,640	11,310,406	11,465,598	-1.35%
Total assets	18,434,784	17,699,754	241,960	209,748	18,676,744	17,909,502	4.28%
Long-term obligations	6,792,906	7,096,729	1,429	948	6,794,335	7,097,677	-4.27%
Other liabilities	3,815,312	3,824,530	53,581	29,156	3,868,893	3,853,686	0.39%
Total liabilities	10,608,218	10,921,259	55,010	30,104	10,663,228	10,951,363	-2.63%
Net assets:							
Invested in capital assets, net of related debt	4,479,240	4,323,958	136,166	156,640	4,615,406	4,480,598	3.01%
Restricted	1,811,392	1,692,245	0	0	1,811,392	1,692,245	7.04%
Unrestricted	1,535,934	762,292	50,784	23,004	1,586,718	785,296	102.05%
Total net assets	\$ 7,826,566	6,778,495	186,950	179,644	8,013,516	6,958,139	15.17%

The District's combined net assets increased by \$1,055,377 or by 15.17%, 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 \$119,147, or 7.04% over the prior year. The increase is primarily due to the increase in fund balance of the Debt Service Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 – increased \$801,422, or 102.05%. This increase in unrestricted net assets was primarily a result the District increase in fund balance in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business type Activities		Total School District		Total Change
2012	2011	2012	2011	2012	2011	2011-12	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,565,640	1,388,251	299,596	304,530	1,865,236	1,692,781	10.19%
Operating grants and contributions and restricted interest	360,804	360,218	108,234	98,018	469,038	458,236	2.36%
General revenues:							
Property tax	3,048,747	3,092,012	0	0	3,048,747	3,092,012	-1.40%
Income surtax	192,172	164,387	0	0	192,172	164,387	16.90%
Statewide sales, services and use tax	536,924	539,680	0	0	536,924	539,680	-0.51%
Nonspecific program federal grants	84,878	85,541	0	0	84,878	85,541	-0.78%
Unrestricted state grants	2,559,830	2,324,011	0	0	2,559,830	2,324,011	10.15%
Unrestricted investment earnings	2,387	2,925	63	46	2,450	2,971	-17.54%
Other	40,320	39,551	3,007	3,745	43,327	43,296	0.07%
Total revenues and transfers	8,391,702	7,996,576	410,900	406,339	8,802,602	8,402,915	4.76%
Program expenses:							
Governmental activities:							
Instructional	4,271,894	3,957,444	0	0	4,271,894	3,957,444	7.95%
Support services	2,204,857	2,028,012	13,380	0	2,218,237	2,028,012	9.38%
Non-instructional programs	8,637	0	390,214	402,230	398,851	402,230	-0.84%
Other expenditures	858,243	901,356	0	0	858,243	901,356	-4.78%
Total expenses	7,343,631	6,886,812	403,594	402,230	7,747,225	7,289,042	6.29%
Changes in net assets	1,048,071	1,109,764	7,306	4,109	1,055,377	1,113,873	-5.25%
Beginning net assets	6,778,495	5,668,731	179,644	175,535	6,958,139	5,844,266	19.06%
Ending net assets	\$ 7,826,566	6,778,495	186,950	179,644	8,013,516	6,958,139	15.17%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 75.59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.25% of the revenue from business type activities.

The District's total revenues were approximately \$8.80 million of which approximately \$8.39 million was for governmental activities and approximately \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.76% increase in revenues and a 6.29% increase in expenses. The increase in expenses is attributable to an increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$8,391,702 and expenses were \$7,343,631.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,271,894	3,957,444	7.95%	2,589,667	2,461,443	5.21%
Support services	2,204,857	2,028,012	8.72%	2,182,957	2,016,055	8.28%
Non-instructional programs	8,637	0	100.00%	8,637	0	100.00%
Other expenses	858,243	901,356	-4.78%	635,926	660,845	-3.77%
Totals	<u>\$ 7,343,631</u>	<u>6,886,812</u>	<u>6.63%</u>	<u>5,417,187</u>	<u>5,138,343</u>	<u>5.43%</u>

- The cost financed by users of the District's programs was \$1,565,640.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$360,804.
- The net cost of governmental activities was financed with \$3,048,747 in property tax, \$192,172 in income surtax, \$536,924 in statewide sales, services and use tax, \$84,878 in nonspecific program federal grants, \$2,559,830 in unrestricted state grants, \$2,387 in interest income, and \$40,320 in other income.

Business type Activities

Revenues of the District's business type activities were \$410,900 and expenses were \$403,594. 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 \$3,310,880, above last year's ending fund balances of \$2,456,247. The primary reason for the increase in combined fund balances in fiscal 2012 was due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal 2012 increased 5.46%, or \$354,926 as compared to fiscal 2011. The total expenditures also increased by \$432,289, or 7.56%. With these factors, the General Fund balance increased by \$698,993 or 79.31%.
- The Capital Projects Fund balance increased from \$1,336,316 in fiscal 2011 to \$1,453,539 in fiscal 2012. This increase was a result of the Capital Projects Fund was primarily due to an increase in the Statewide Sales, Services and Use Tax Fund.

- The Debt Service Fund balance increased from \$161,491 in fiscal 2011 to \$184,838 in fiscal 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$179,644 at June 30, 2011 to \$186,950 at June 30, 2012, representing an increase of 4.07%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$328,605 more than budgeted revenues, a variance of 3.88%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were more 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. In spite of the District's budgetary practice the certified budget was exceeded in the other expenditures functional area and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$11,310,406, 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 \$472,732.

The original cost of the District's capital assets was \$17,225,337. Governmental funds account for \$16,962,930 with the remainder of \$262,407 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2011 as compared to \$37,736 at June 30, 2012, due to the District beginning construction on a new athletic complex.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 250,401	250,401	0	0	250,401	250,401	0.00%
Construction in progress	37,736	0	0	0	37,736	0	100.00%
Buildings	10,274,350	10,477,488	0	0	10,274,350	10,477,488	-1.98%
Land improvements	238,068	256,400	0	0	238,068	256,400	-7.70%
Machinery and equipment	373,685	324,669	136,166	156,640	509,851	481,309	5.60%
Total	\$ 11,174,240	11,308,958	136,166	156,640	11,310,406	11,465,598	-1.35%

Long-Term Debt

At June 30, 2012, the District had \$6,794,335 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 4.27% 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 \$6,520,000 at June 30, 2012.

The District had total outstanding revenue bonded indebtedness of \$175,000 at June 30, 2012.

The District had a Net OPEB liability of \$99,335 at June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 6,520,000	6,810,000	0	0	6,520,000	6,810,000	-4.26%
Revenue bonds	175,000	175,000	0	0	175,000	175,000	0.00%
Compensated absences	0	22,553	0	0	0	22,553	-100.00%
Early retirement	0	24,222	0	0	0	24,222	-100.00%
Net OPEB liability	97,906	64,954	1,429	948	99,335	65,902	50.73%
Total	\$ 6,792,906	7,096,729	1,429	948	6,794,335	7,097,677	-4.27%

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 Karli North, Board Secretary/District Treasurer, 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, 2012

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments:			
Other	\$ 3,804,059	98,037	3,902,096
Receivables:			
Property tax:			
Delinquent	21,862	0	21,862
Succeeding year	3,023,493	0	3,023,493
Income surtax	168,688	0	168,688
Due from other funds	22,939	0	22,939
Due from other governments	219,503	0	219,503
Inventories	0	7,757	7,757
Capital assets, net of accumulated depreciation	11,174,240	136,166	11,310,406
TOTAL ASSETS	18,434,784	241,960	18,676,744
LIABILITIES			
Due to other funds	0	22,939	22,939
Accounts payable	167,769	4,860	172,629
Salaries and benefits payable	589,714	17,871	607,585
Accrued interest payable	34,336	0	34,336
Deferred revenue:			
Succeeding year property tax	3,023,493	0	3,023,493
Unearned revenue	0	7,911	7,911
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	370,000	0	370,000
Revenue bonds payable	175,000	0	175,000
Portion due after one year:			
General obligation bonds payable	6,150,000	0	6,150,000
Net OPEB liability	97,906	1,429	99,335
TOTAL LIABILITIES	10,608,218	55,010	10,663,228
NET ASSETS			
Invested in capital assets, net of related debt	4,479,240	136,166	4,615,406
Restricted for:			
Categorical funding	80,796	0	80,796
Debt service	184,838	0	184,838
Management levy purposes	20,707	0	20,707
Student activities	71,512	0	71,512
School infrastructure	1,325,642	0	1,325,642
Physical plant and equipment	127,897	0	127,897
Unrestricted	1,535,934	50,784	1,586,718
TOTAL NET ASSETS	\$ 7,826,566	186,950	8,013,516

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,217,736	1,170,060	70,769	(1,976,907)	0	(1,976,907)
Special	477,587	152,514	29,327	(295,746)	0	(295,746)
Other	576,571	243,051	16,506	(317,014)	0	(317,014)
	<u>4,271,894</u>	<u>1,565,625</u>	<u>116,602</u>	<u>(2,589,667)</u>	<u>0</u>	<u>(2,589,667)</u>
Support services:						
Student	186,834	0	0	(186,834)	0	(186,834)
Instructional staff	361,620	0	5,011	(356,609)	0	(356,609)
Administration	544,127	0	0	(544,127)	0	(544,127)
Operation and maintenance of plant	742,281	0	0	(742,281)	0	(742,281)
Transportation	369,995	15	16,874	(353,106)	0	(353,106)
	<u>2,204,857</u>	<u>15</u>	<u>21,885</u>	<u>(2,182,957)</u>	<u>0</u>	<u>(2,182,957)</u>
Non-instructional programs	8,637	0	0	(8,637)	0	(8,637)
Long-term debt interest	256,823	0	0	(256,823)	0	(256,823)
Other expenditures:						
AEA flowthrough	222,317	0	222,317	0	0	0
Depreciation(unallocated)*	379,103	0	0	(379,103)	0	(379,103)
	<u>601,420</u>	<u>0</u>	<u>222,317</u>	<u>(379,103)</u>	<u>0</u>	<u>(379,103)</u>
Total governmental activities	7,343,631	1,565,640	360,804	(5,417,187)	0	(5,417,187)
Business Type activities:						
Support services:						
Instructional staff	13,380	0	0	0	(13,380)	(13,380)
Non-instructional programs:						
Nutrition services	390,214	299,596	108,234	0	17,616	17,616
Total business type activities	<u>403,594</u>	<u>299,596</u>	<u>108,234</u>	<u>0</u>	<u>4,236</u>	<u>4,236</u>
Total	\$ 7,747,225	1,865,236	469,038	(5,417,187)	4,236	(5,412,951)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,427,912	0	2,427,912
Debt service				557,519	0	557,519
Capital outlay				63,316	0	63,316
Income surtax				192,172	0	192,172
Statewide sales, services and use tax				536,924	0	536,924
Nonspecific program federal grants				84,878	0	84,878
Unrestricted state grants				2,559,830	0	2,559,830
Unrestricted investment earnings				2,387	63	2,450
Other general revenues				40,320	3,007	43,327
Total general revenues				<u>6,465,258</u>	<u>3,070</u>	<u>6,468,328</u>
Changes in net assets				1,048,071	7,306	1,055,377
Net assets beginning of year				6,778,495	179,644	6,958,139
Net assets end of year				<u>\$ 7,826,566</u>	<u>186,950</u>	<u>8,013,516</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,150,681	1,373,228	180,840	99,310	3,804,059
Receivables:					
Property tax:					
Delinquent	16,586	454	3,998	824	21,862
Succeeding year	2,244,409	65,454	578,630	135,000	3,023,493
Income surtax	168,688	0	0	0	168,688
Due from other funds	23,230	0	0	0	23,230
Due from other governments	133,382	86,121	0	0	219,503
TOTAL ASSETS	\$ 4,736,976	1,525,257	763,468	235,134	7,260,835
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 291	0	0	0	291
Accounts payable	153,590	6,264	0	7,915	167,769
Salaries and benefits payable	589,714	0	0	0	589,714
Deferred revenue:					
Succeeding year property tax	2,244,409	65,454	578,630	135,000	3,023,493
Income surtax	168,688	0	0	0	168,688
Total liabilities	3,156,692	71,718	578,630	142,915	3,949,955
Fund balances:					
Restricted for:					
Categorical funding	80,796	0	0	0	80,796
Debt service	0	0	184,838	0	184,838
Management levy purposes	0	0	0	20,707	20,707
Student activities	0	0	0	71,512	71,512
School infrastructure	0	1,325,642	0	0	1,325,642
Physical plant and equipment	0	127,897	0	0	127,897
Unassigned	1,499,488	0	0	0	1,499,488
Total Fund balances	1,580,284	1,453,539	184,838	92,219	3,310,880
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,736,976	1,525,257	763,468	235,134	7,260,835

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, 2012

Total fund balances of governmental funds(page 20)	\$ 3,310,880
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	11,174,240
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.	(34,336)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	168,688
Long-term liabilities, including bonds and notes payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(6,792,906)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 7,826,566</u></u>

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, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,489,786	600,240	557,519	114,735	3,762,280
Tuition	1,288,905	0	0	0	1,288,905
Other	67,907	8,827	31	242,677	319,442
State sources	2,808,888	23	201	41	2,809,153
Federal sources	196,359	0	0	0	196,359
TOTAL REVENUES	6,851,845	609,090	557,751	357,453	8,376,139
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,233,285	0	0	0	3,233,285
Special	477,587	0	0	0	477,587
Other	334,956	0	0	226,445	561,401
	4,045,828	0	0	226,445	4,272,273
Support services:					
Student	186,007	0	0	0	186,007
Instructional staff	286,999	80,401	0	738	368,138
Administration	548,687	0	0	24,221	572,908
Operation and maintenance of plant	503,740	0	0	91,612	595,352
Transportation	342,619	0	0	7,385	350,004
	1,868,052	80,401	0	123,956	2,072,409
Non-instructional programs	8,637	0	0	0	8,637
Capital outlay	0	384,692	0	0	384,692
Long-term debt:					
Principal	0	0	1,845,000	0	1,845,000
Interest and fiscal charges	0	0	265,593	0	265,593
	0	0	2,110,593	0	2,110,593
Other expenditures:					
AEA flowthrough	222,317	0	0	0	222,317
TOTAL EXPENDITURES	6,144,834	465,093	2,110,593	350,401	9,070,921
Excess(deficiency) of revenues over(under) expenditures	707,011	143,997	(1,552,842)	7,052	(694,782)
OTHER FINANCING SOURCES(USES):					
Transfer in	0	0	26,774	8,018	34,792
Transfer out	(8,018)	(26,774)	0	0	(34,792)
Payment to escrow	0	0	(2,475)	0	(2,475)
Issuance of general obligation bonds	0	0	1,555,000	0	1,555,000
Discount on issuance of bonds	0	0	(3,110)	0	(3,110)
Total other financing sources(uses)	(8,018)	(26,774)	1,576,189	8,018	1,549,415
Net change in fund balances	698,993	117,223	23,347	15,070	854,633
Fund balance beginning of year	881,291	1,336,316	161,491	77,149	2,456,247
Fund balance end of year	\$ 1,580,284	1,453,539	184,838	92,219	3,310,880

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 854,633

**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 not reported in the Statement of Activities 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:

Capital outlays	\$ 314,872	
Depreciation expense	(449,590)	(134,718)

Proceeds from issuing long-term liabilities provide current financial resources to governmnet 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. repayments, are as follows:

Issued	(1,555,000)	
Repaid	1,845,000	290,000

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

15,563

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.

8,770

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	24,222	
Compensated absences	22,553	
Other postemployment benefits	(32,952)	13,823

Changes in net assets of governmental activities(page 19) \$ 1,048,071

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 98,037
Inventories	7,757
Capital assets, net of accumulated depreciation	136,166
TOTAL ASSETS	<u>241,960</u>
LIABILITIES	
Due to other funds	22,939
Accounts payable	4,860
Salaries and benefits payable	17,871
Unearned revenue	7,911
Long-term liabilities:	
Net OPEB obligation	1,429
TOTAL LIABILITIES	<u>55,010</u>
NET ASSETS	
Invested in capital assets	136,166
Unrestricted	50,784
TOTAL NET ASSETS	<u>\$ 186,950</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, 2012

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 299,596
Miscellaneous revenue	3,007
TOTAL OPERATING REVENUES	302,603
OPERATING EXPENSES:	
Support services:	
Instructional staff	13,380
Non-instructional programs:	
Food service operations:	
Salaries	125,500
Benefits	27,390
Services	2,767
Supplies	211,051
Depreciation	23,142
Other	364
TOTAL OPERATING EXPENSES	403,594
OPERATING LOSS	(100,991)
NON-OPERATING REVENUES:	
State sources	3,978
Federal sources	104,256
Interest income	63
TOTAL NON-OPERATING REVENUES	108,297
Change in net assets	7,306
Net assets beginning of year	179,644
Net assets end of year	\$ 186,950

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 301,581
Cash received from miscellaneous sources	3,007
Cash payments to employees for services	(157,768)
Cash payments to suppliers for goods or services	(190,671)
Net cash used in operating activities	(43,851)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	22,939
State grants received	3,978
Federal grants received	72,802
Net cash provided by non-capital financing activities	99,719
Cash flows from capital financing activities:	
Acquisition of assets	(2,668)
Cash flows from investing activities:	
Interest on investments	63
Net increase in cash and cash equivalents	53,263
Cash and cash equivalents at beginning of year	44,774
Cash and cash equivalents at end of year	\$ 98,037
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (100,991)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,454
Depreciation	23,142
Decrease in inventories	577
Increase in accounts payable	4,860
Decrease in salaries and benefits payable	(5,359)
Increase in deferred revenue	1,985
Increase in OPEB liability	481
Net cash used in operating activities	\$ (43,851)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$31,454.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following non major proprietary fund:

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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures functional area and in total.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$135 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Nutrition	\$ 23,230
School Nutrition	General Fund	291
Total		<u>\$ 23,521</u>

The School Nutrition Fund is repaying the General Fund for salaries and benefits.

The General Fund is repaying the School Nutrition Fund for state lunch money that was deposited into the General Fund.

(4) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	\$ 26,774
Student Activity	General Fund	8,018
		<u>\$ 34,792</u>

The Capital Projects: Statewide, Sales, Services and Use Tax fund transferred money to the Debt Service Levy Fund to Fund for principal and interest payments on the general obligations bonds.

The General Fund transferred money to the Student Activity Fund to cover negative account balances.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 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
Construction in progress	0	37,736	0	37,736
Total capital assets not being depreciated	<u>250,401</u>	<u>37,736</u>	<u>0</u>	<u>288,137</u>
Capital assets being depreciated:				
Buildings	14,546,078	157,633	0	14,703,711
Land improvements	651,141	0	0	651,141
Machinery and equipment	1,200,438	119,503	0	1,319,941
Total capital assets being depreciated	<u>16,397,657</u>	<u>277,136</u>	<u>0</u>	<u>16,674,793</u>
Less accumulated depreciation for:				
Buildings	4,068,590	360,771	0	4,429,361
Land improvements	394,741	18,332	0	413,073
Machinery and equipment	875,769	70,487	0	946,256
Total accumulated depreciation	<u>5,339,100</u>	<u>449,590</u>	<u>0</u>	<u>5,788,690</u>
Total capital assets being depreciated, net	<u>11,058,557</u>	<u>(172,454)</u>	<u>0</u>	<u>10,886,103</u>
Governmental activities capital assets, net	<u>\$ 11,308,958</u>	<u>(134,718)</u>	<u>0</u>	<u>11,174,240</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 259,739	2,668	0	262,407
Less accumulated depreciation	103,099	23,142	0	126,241
Business type activities capital assets, net	<u>\$ 156,640</u>	<u>(20,474)</u>	<u>0</u>	<u>136,166</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$	2,519
Other		15,170
Support services:		
Instructional staff		1,495
Administration		2,319
Operation and maintenance of plant		5,701
Transportation		43,283
		<u>70,487</u>
Unallocated depreciation		<u>379,103</u>
Total governmental activities depreciation expense	\$	<u>449,590</u>
Business type activities:		
Food services	\$	<u>23,142</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,810,000	1,555,000	1,845,000	6,520,000	370,000
Revenue bonds	175,000	0	0	175,000	175,000
Compensated absences	22,553	0	22,553	0	0
Early retirement	24,222	0	24,222	0	0
Net OPEB liability	64,954	32,952	0	97,906	0
Total	<u>\$ 7,096,729</u>	<u>1,587,952</u>	<u>1,891,775</u>	<u>6,792,906</u>	<u>545,000</u>
Business type activities					
Net OPEB liability	\$ 948	481	0	1,429	0

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonds, Fund, are as follows:

Year Ending June 30,	Bond Issue of June 1, 2007			Bond Issue of March 15, 2010		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2013	3.96%	\$ -	185,657	3.00%	265,000	7,950
2014	3.96%	-	185,658	-	-	-
2015	3.96%	-	185,658	-	-	-
2016	3.96%	-	185,658	-	-	-
2017	3.96%	-	185,658	-	-	-
2018-2022	3.96-4.00%	2,105,000	773,281	-	-	-
2023-2027	3.90-4.00%	2,595,000	320,400	-	-	-
Total		<u>\$ 4,700,000</u>	<u>2,021,970</u>		<u>\$ 265,000</u>	<u>7,950</u>

Year Ending June 30,	Bond Issue of April 26, 2012			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2013	0.40%	\$ 105,000	12,238	\$ 370,000	205,845	575,845
2014	0.50%	355,000	11,650	355,000	197,308	552,308
2015	0.70%	360,000	9,875	360,000	195,533	555,533
2016	0.90%	365,000	7,355	365,000	193,013	558,013
2017	1.10%	370,000	4,070	370,000	189,728	559,728
2017-2021	-	-	-	2,105,000	773,281	2,878,281
2022-2026	-	-	-	2,595,000	320,400	2,915,400
Total		<u>\$ 1,555,000</u>	<u>45,188</u>	<u>\$ 6,520,000</u>	<u>2,075,108</u>	<u>8,595,108</u>

Revenue Bonds Payable

Details of the District's June 30, 2012 statewide sales, services, and use tax revenue bonded indebtedness, which is paid with Statewide Sales, Services and Use 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
2013	4.40%	\$ 175,000	3,850	178,850

The District has pledged future statewide sales, services, and use tax revenues to repay the \$1,375,000, issued on July 1, 2003. The statewide sales, services and use 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, services and use 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 34% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$178,850. For the current year, interest of \$3,850 was paid on the bonds and the statewide sales, services and use tax revenues were \$536,924.

(7) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$286,866, \$233,674, and \$231,192, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 42,259
Interest on net OPEB obligation	1,572
Adjustment to annual required contribution	<u>(3,841)</u>
Annual OPEB cost	39,990
Contributions made	<u>(6,557)</u>
Increase in net OPEB obligation	33,433
Net OPEB obligation beginning of year	<u>65,902</u>
Net OPEB obligation end of year	<u>\$ 99,335</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, 2012.

For the ended June 30, 2012, the District contributed \$6,557 to the medical plan. Plan members eligible for benefits contributed \$82,964 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 39,118	17.9%	\$ 32,124
2011	39,586	14.67%	65,902
2012	39,990	16.40%	99,335

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$302,871, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$302,871. The covered payroll (annual payroll of active employees covered by the plan) was \$2,688,868 and the ratio of UAAL to covered payroll was 11.3%. As of June 30, 2012 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.

(9) 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, 2012 was \$604,673.

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.

(10) 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 \$222,317 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2012, the District exceeded its budgeted amounts in the other expenditures functional area and in total.

(12) Refunding General Obligation Bonds

On April 26, 2012, the District issued \$1,555,000 in general obligation bonds, with interest rates ranging from 0.40% to 1.10%, to call \$1,530,000 of outstanding general obligation bonds dated June 1, 2003. The refunded general obligation bonds dated June 1, 2003, was considered extinguished and, therefore, excluded from the long term debt. The new refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond funding is \$129,619.

(13) Categorical Funding

The District's ending restricted balance for categorical funding as of the year ended June 30, 2012 is comprised of the following programs:

Program	Amount
Talented and gifted	\$ 45,254
Professional development	2,345
Dropout and dropout prevention	12,630
Beginning teacher mentoring and induction program	432
Beginning administrator mentoring and induction program	1,500
Model core curriculum	18,635
Total	<u>\$ 80,796</u>

(14) Construction Commitment

The District will be entering into a contract for the construction of a new athletic complex in fiscal year 2013. Currently the District has incurred architect fees of \$37,736.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,370,627	302,666	5,673,293	5,378,690	5,378,690	294,603
State sources	2,809,153	3,978	2,813,131	2,885,744	2,885,744	(72,613)
Federal sources	196,359	104,256	300,615	194,000	194,000	106,615
Total revenues	8,376,139	410,900	8,787,039	8,458,434	8,458,434	328,605
Expenditures/expenses:						
Instruction	4,272,273	0	4,272,273	4,798,000	4,798,000	525,727
Support services	2,072,409	13,380	2,085,789	2,370,000	2,370,000	284,211
Non-instructional	8,637	390,214	398,851	415,000	415,000	16,149
Other expenditures	2,717,602	0	2,717,602	1,703,182	1,703,182	(1,014,420)
Total expenditures/expenses	9,070,921	403,594	9,474,515	9,286,182	9,286,182	(188,333)
Excess(deficiency) of revenues over(under) expenditures/expenses	(694,782)	7,306	(687,476)	(827,748)	(827,748)	140,272
Other financing uses, net	1,549,415	0	1,549,415	0	0	1,549,415
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	854,633	7,306	861,939	(827,748)	(827,748)	1,689,687
Balance beginning of year	2,456,247	179,644	2,635,891	1,212,752	1,212,752	1,423,139
Balance end of year	\$ 3,310,880	186,950	3,497,830	385,004	385,004	3,112,826

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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.

During the year ended June 30, 2012, expenditures in the other expenditures functional area and in total exceeded the amounts budgeted.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 323,416	323,416	0.0%	\$ 2,567,079	12.6%
2011	July 1, 2009	-	316,236	316,236	0.0%	2,631,601	12.0%
2012	July 1, 2009	-	302,871	302,871	0.0%	2,688,868	11.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
ASSETS			
Cash and pooled investments	\$ 79,427	19,883	99,310
Receivables:			
Property tax:			
Delinquent	0	824	824
Succeeding year	0	135,000	135,000
TOTAL ASSETS	\$ 79,427	155,707	235,134
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,915	0	7,915
Deferred revenue:			
Succeeding year property tax	0	135,000	135,000
Total Liabilities	7,915	135,000	142,915
Fund balances:			
Restricted for:			
Management levy purposes	0	20,707	20,707
Student activities	71,512	0	71,512
Total fund balances	71,512	20,707	92,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,427	155,707	235,134

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	114,735	114,735
Other	233,926	8,751	242,677
State sources	0	41	41
TOTAL REVENUES	<u>233,926</u>	<u>123,527</u>	<u>357,453</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	226,445	0	226,445
Support services:			
Instructional staff	738	0	738
Administration	0	24,221	24,221
Operation and maintenance of plant	0	91,612	91,612
Transportation	0	7,385	7,385
TOTAL EXPENDITURES	<u>227,183</u>	<u>123,218</u>	<u>350,401</u>
Excess of revenues over expenditures before other financing uses	6,743	309	7,052
OTHER FINANCING USES:			
Transfer in	8,018	0	8,018
Excess of revenues over expenditures	14,761	309	15,070
Fund balance beginning of year	56,751	20,398	77,149
Fund balance end of year	<u>\$ 71,512</u>	<u>20,707</u>	<u>92,219</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,245,785	127,443	1,373,228
Receivables:			
Property tax:			
Delinquent	0	454	454
Succeeding year	0	65,454	65,454
Due from other governments	86,121	0	86,121
TOTAL ASSETS	\$ 1,331,906	193,351	1,525,257
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 6,264	0	6,264
Deferred revenue:			
Succeeding year property tax	0	65,454	65,454
Total Liabilities	6,264	65,454	71,718
Fund balances:			
Restricted for:			
School infrastructure	1,325,642	0	1,325,642
Physical plant and equipment	0	127,897	127,897
Total fund balances	1,325,642	127,897	1,453,539
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,331,906	193,351	1,525,257

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 536,924	63,316	600,240
Other	8,827	0	8,827
State sources	0	23	23
TOTAL REVENUES	<u>545,751</u>	<u>63,339</u>	<u>609,090</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	80,401	0	80,401
Capital outlay	187,205	197,487	384,692
TOTAL EXPENDITURES	<u>267,606</u>	<u>197,487</u>	<u>465,093</u>
Excess of revenues over expenditures	278,145	(134,148)	143,997
OTHER FINANCING USES:			
Transfer out	(26,774)	0	(26,774)
Net change in fund balance	251,371	(134,148)	117,223
Fund balance beginning of year	1,074,271	262,045	1,336,316
Fund balance end of year	<u>\$ 1,325,642</u>	<u>127,897</u>	<u>1,453,539</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Interest	\$ 183	125	0	(308)	0
Drama/Speech	71	8,288	3,048	(5,301)	10
Instrumental	534	6,182	12,709	6,003	10
Vocal	52	6,046	4,795	(1,293)	10
Ticket	89	7,867	0	(7,956)	0
Basketball	2,636	29,203	21,300	(8,139)	2,400
Football	3,745	20,362	26,672	7,565	5,000
Baseball/Softball	3,666	19,026	24,517	2,033	208
Track	622	3,481	11,446	9,361	2,018
Golf	161	868	4,024	5,495	2,500
Wrestling	760	4,525	4,193	908	2,000
Volleyball	2,936	10,255	9,180	(1,511)	2,500
Weight Room	0	0	0	3,500	3,500
Jr - Sr High	2,587	4,731	120	(4,950)	2,248
Class of 2011	27	0	0	130	157
Class of 2012	4,255	1,023	2,477	(2,644)	157
Class of 2013	0	0	11,028	14,044	3,016
Class of 2014	0	2,837	0	(2,837)	0
Student Council	1,180	7,294	5,981	(1,288)	1,205
FHA	20	0	20	0	0
National Honor Society	4	0	260	573	317
Book Club	345	861	0	92	1,298
Cheerleaders	5,497	9,528	9,617	(365)	5,043
I-T Club	27	0	0	173	200
Business Club	1,541	4,977	2,987	15	3,546
Academic Team	297	0	2,804	2,760	253
Hall of fame	0	359	0	1,043	1,402
Elementary (Student Leader)	10,553	31,470	24,516	(2,372)	15,135
Elementary Student Council	0	0	22	837	815
Junior High Leadership	104	0	422	1,261	943
Assemblies	400	0	0	0	400
Yearbook	11,513	16,670	19,190	204	9,197
Drill Team	2,699	18,505	18,044	(37)	3,123
Middle School Student Council	0	0	0	218	218
Capital Improvements	0	0	0	450	450
IGHSAU Scholarships	0	0	0	750	750
Miscellaneous Activities	247	19,443	7,811	(10,396)	1,483
Total	<u>\$ 56,751</u>	<u>233,926</u>	<u>227,183</u>	<u>8,018</u>	<u>71,512</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,762,280	3,800,411	2,939,677	2,800,238	2,346,726	2,208,480	2,033,246	1,928,566	1,937,575
Tuition	1,288,905	1,139,698	1,008,067	913,734	830,325	762,074	726,360	598,465	512,865
Other	319,442	291,029	299,132	326,872	460,214	290,073	260,551	271,575	298,695
State sources	2,809,153	2,615,927	2,422,836	2,614,680	2,720,480	2,376,572	2,204,865	2,110,861	1,926,400
Federal sources	196,359	153,843	455,249	67,240	61,317	77,328	81,748	115,777	67,217
Total	\$ 8,376,139	8,000,908	7,124,961	6,722,764	6,419,062	5,714,527	5,306,770	5,025,244	4,742,752
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,233,285	2,986,087	3,045,237	2,970,438	2,754,107	2,563,608	2,254,870	2,158,717	1,970,457
Special	477,587	411,932	413,797	463,031	321,325	337,545	284,127	241,717	269,001
Other	561,401	579,683	539,353	522,429	498,299	423,344	410,782	362,745	374,006
Support services:									
Student	186,007	180,439	175,816	115,192	161,504	93,121	89,597	85,197	82,558
Instructional staff	368,138	199,494	137,260	157,618	139,872	141,035	122,009	113,293	59,035
Administration	572,908	511,693	485,321	489,386	461,938	466,336	424,463	397,420	371,509
Operation and maintenance of plant	595,352	592,834	575,408	613,921	538,937	505,544	485,050	391,884	365,371
Transportation	350,004	358,764	317,801	278,772	286,897	229,251	218,758	200,794	191,367
Central support	0	0	0	0	0	0	0	59,216	3,341
Non-instructional programs	8,637	0	0	0	161	3,936	15,388	0	3,300
Capital outlay	384,692	221,251	250,775	1,280,496	3,651,565	448,353	188,977	1,250,078	2,310,809
Long-term debt:									
Principal	1,845,000	475,000	455,000	440,000	420,000	400,000	520,000	360,000	220,000
Interest and fiscal charges	265,593	290,621	317,640	337,250	338,434	252,160	231,407	236,071	170,619
Other expenditures:									
AEA flow-through	222,317	240,511	230,471	207,225	194,933	173,779	157,752	151,671	144,976
Total	\$ 9,070,921	7,048,309	6,943,879	7,875,758	9,767,972	6,038,012	5,403,180	6,008,803	6,536,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2013. 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, 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 I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 through I-F-12 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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 4, 2013

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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.

I-B-12 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 of 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 could add on the deposit slip the receipts included, such as receipts #1-10. This would allow for an individual to be able to determine which receipts are included in the deposit.

Response - Deposit slips are now being detailed with the names and amounts.

Conclusion - Response accepted.

I-C-12 Pre-Numbered Receipts - We noted during our audit that district staff who are responsible for cash collections are not using pre-numbered receipt books.

Recommendation - The District should institute the use of pre-numbered receipt books to achieve better internal control over cash collections. Additionally, the use of pre-numbered receipt books allows the person responsible for bank reconciliations to be able to reconcile cash collected to the amount that was deposited in the bank. The numerical sequence of receipts should be accounted for in the reconciliation process. Any void receipts should be turned into the Central office with an explanation why the receipt was voided.

Response - The District is now using pre-numbered receipts.

Conclusion - Response accepted.

I-D-12 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 - The District has a new Athletic Director, new Business Manager, and a new athletic complex being built. New guideline procedures are being worked on to reconcile the above short-comings with new staff and the new addition.

Conclusion - Response accepted.

I-E-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance 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, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - Non-certified coaches have been keeping hours on a calendar and turning them in at the end of their season.

Conclusion - Response accepted.

I-F-12 Payroll Procedures - We noted during our audit that the District had employees on payroll who officiated athletic events and were paid through accounts payable rather than payroll. Per IRS requirements extra duties performed by employees should be treated as additional compensation and added to the employee's payroll.

Recommendation - The District should review its procedures to ensure that all extra duties are properly paid through payroll.

Response - All district employees are now being paid out of payroll for any officiating that they may incur.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the other expenditures functional area and in total.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District has a new Business Manager, and will be watching expenditures and amending budget as necessary.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the elementary activity account in the Student Activity Fund to be given as prizes. Giving gift certificates/cards as prizes does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - No further gift cards will be purchased as prizes nor will cash be given.

Conclusion - Response accepted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District Officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Funkhouser, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$1,145
Mike Travis, Teacher Owns Travis Turf	Purchased services	\$9,030

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

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 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.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,074,271
Revenues:		
Sales tax revenues	\$ 536,924	
Other local revenues	8,827	545,751
	<u> </u>	<u>1,620,022</u>
Expenditures/transfers out:		
School infrastructure construction	101,075	
Equipment	39,630	
Other	126,901	
Transfers to other funds		
Debt service fund	<u>26,774</u>	<u>294,380</u>
Ending balance		<u><u>\$ 1,325,642</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 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 - The district now receives front and back copies of cancelled checks.

Conclusion - Response accepted.

II-N-12 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Activity Fund Accounts: We noted that the Elementary Book Fair was being handled in the Student Activity Fund. We also noted a water softener for the teachers' lounge being purchased from the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund to ensure recording in the proper fund. Revenues and expenditures related to this account are more instructional in nature and would be more appropriate from the General Fund.

Response - Recommendation noted and steps will be taken to correct.

Conclusion - Response accepted.

II-O-12 Activity Fund Transfer - We noted transfers from the General Fund to the Student Activity Fund to bring negative accounts to a zero balance without invoices to support the transfer. The District has no legal authority to transfer from the General Fund to the Student Activity Fund to bring negative accounts to a zero balance.

Recommendation - In the future, transfers made from the General Fund to the Activity Fund should be done on an invoice level to the extent that the expenditures would be allowable from the General Fund. Transfers should not be made for the purpose of bringing negative Activity Fund accounts to zero. The District should transfer the \$8,018 back to the General Fund.

Response - Recommendation noted and no further transfers from General Fund to Activity Fund will be done to zero out negative balances.

Conclusion - Response accepted.