

TREYNOR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Treynor Community School District

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Directors</b>		
David Paulsen	President	2015
Jerry Hempel	Vice President	2015
Sally Myers	Board Member	2013
Gary Funkhouser	Board Member	2013
Randall Young	Board Member	2015
<b>School Officials</b>		
Kevin Elwood	Superintendent	2013
Karli North	Board Secretary/ District Treasurer	2013
Smith Peterson	Attorney	2013

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  
Treynor Community School District:

**Report on the Financial Statements**

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, Treynor Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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 Treynor Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

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 40 through 42 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.

### *Supplementary Information*

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 third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the 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.

The Supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2014 on our consideration of Treynor Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that reports 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2014  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,851,845 in fiscal 2012 to \$6,861,153 in fiscal 2013, and General Fund expenditures increased from \$6,152,852 in fiscal 2012 to \$6,404,818 in fiscal 2013. The District's General Fund balance increased from \$1,580,284 in fiscal 2012 to a balance of \$2,036,619 in fiscal 2013, a 28.88% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition in fiscal 2013 compared to the prior year. 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 Position 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.

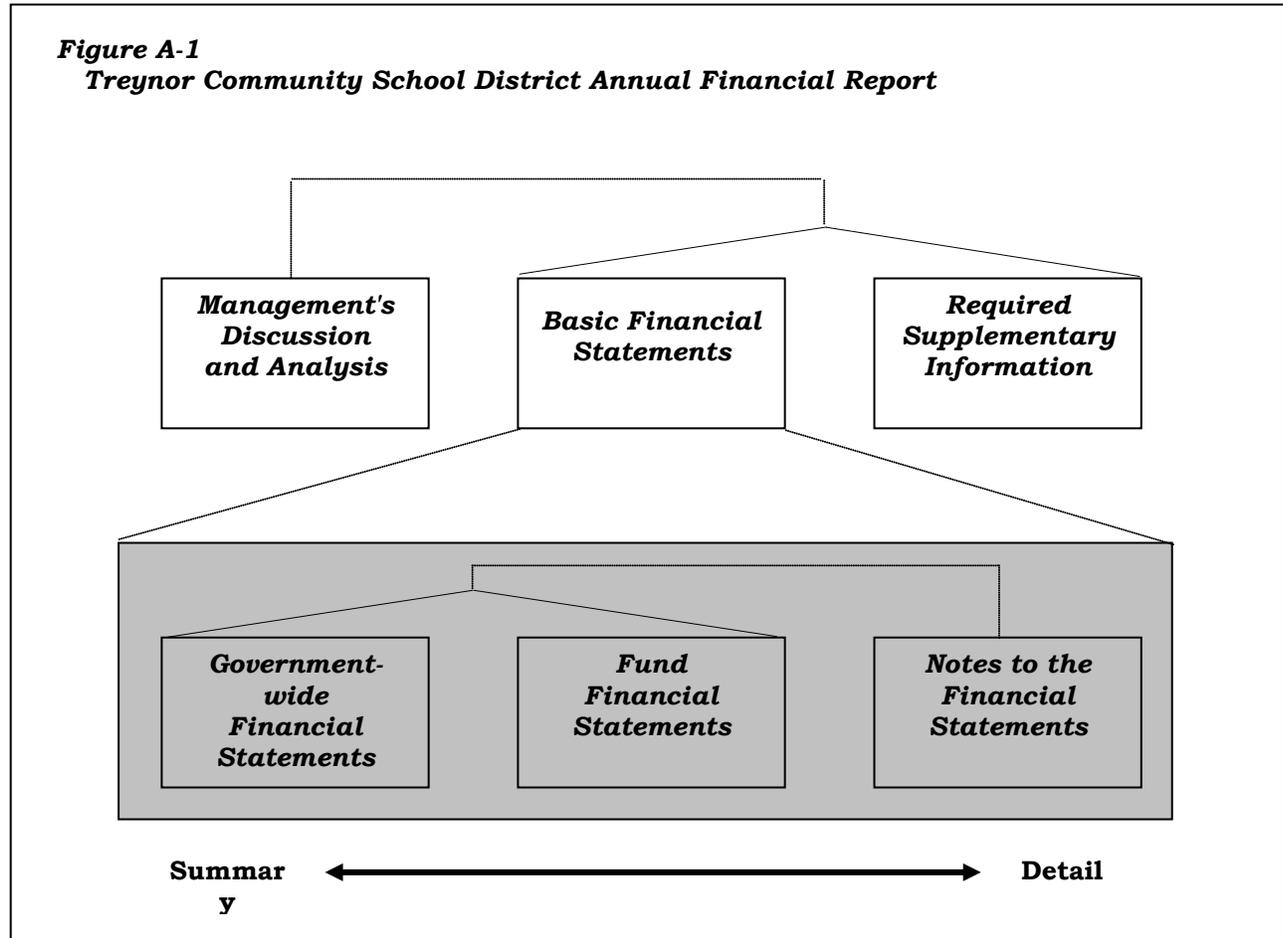


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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 Position 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 position and how they have changed. Net position – 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 position is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial

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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 position, a statement of revenues, expenses and changes in fund net position 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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 10,412,341	7,260,544	91,509	105,794	10,503,850	7,366,338	42.59%
Capital assets	13,418,328	11,174,240	115,162	136,166	13,533,490	11,310,406	19.66%
Total assets	23,830,669	18,434,784	206,671	241,960	24,037,340	18,676,744	28.70%
Long-term obligations	10,780,202	6,792,906	2,023	1,429	10,782,225	6,794,335	58.69%
Other liabilities	4,296,036	3,815,312	34,789	53,581	4,330,825	3,868,893	11.94%
Total liabilities	15,076,238	10,608,218	36,812	55,010	15,113,050	10,663,228	41.73%
Net position:							
Invested in capital assets, net of related debt	2,768,328	4,479,240	115,162	136,166	2,883,490	4,615,406	-37.52%
Restricted	4,063,720	1,811,392	0	0	4,063,720	1,811,392	124.34%
Unrestricted	1,922,383	1,535,934	54,697	50,784	1,977,080	1,586,718	24.60%
Total net position	\$ 8,754,431	7,826,566	169,859	186,950	8,924,290	8,013,516	11.37%

The District's combined net position increased by \$910,774 or by 11.37%, over the prior year. The second largest portion of the District's net position is 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$2,252,328, or 124.34% 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 from the issuance of revenue bonds.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$390,362, or 24.60%. This increase in unrestricted net position was primarily a result the District increase in fund balance in the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business type Activities		Total School District		Total Change
2013	2012	2013	2012	2013	2012	2012-13	
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,667,757	1,565,640	312,125	299,596	1,979,882	1,865,236	6.15%
Operating grants and contributions and restricted interest	354,348	360,804	104,658	108,234	459,006	469,038	-2.14%
General revenues:							
Property tax	3,020,247	3,048,747	0	0	3,020,247	3,048,747	-0.93%
Income surtax	154,909	192,172	0	0	154,909	192,172	-19.39%
Statewide sales, services and use tax	550,164	536,924	0	0	550,164	536,924	2.47%
Nonspecific program federal grants	0	84,878	0	0	0	84,878	-100.00%
Unrestricted state grants	2,592,229	2,559,830	0	0	2,592,229	2,559,830	1.27%
Unrestricted investment earnings	625	2,387	16	63	641	2,450	-73.84%
Other	57,780	40,320	5,791	3,007	63,571	43,327	46.72%
Total revenues and transfers	8,398,059	8,391,702	422,590	410,900	8,820,649	8,802,602	0.21%
Program expenses:							
Governmental activities:							
Instructional	4,344,668	4,271,894	0	0	4,344,668	4,271,894	1.70%
Support services	2,306,550	2,204,857	14,863	13,380	2,321,413	2,218,237	4.65%
Non-instructional programs	455	8,637	424,818	390,214	425,273	398,851	6.62%
Other expenditures	818,521	858,243	0	0	818,521	858,243	-4.63%
Total expenses	7,470,194	7,343,631	439,681	403,594	7,909,875	7,747,225	2.10%
Increase (decrease) in net position	927,865	1,048,071	(17,091)	7,306	910,774	1,055,377	-13.70%
Net position beginning of year	7,826,566	6,778,495	186,950	179,644	8,013,516	6,958,139	15.17%
Net position end of year	\$ 8,754,431	7,826,566	169,859	186,950	8,924,290	8,013,516	11.37%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 75.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.63% of the revenue from business type activities.

The District's total revenues were approximately \$8.82 million of which approximately \$8.40 million was for governmental activities and approximately \$0.42 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.21% increase in revenues and a 2.10% 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 \$8,398,059 and expenses were \$7,470,194.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,344,668	4,271,894	1.70%	2,562,447	2,589,667	-1.05%
Support services	2,306,550	2,204,857	4.61%	2,293,837	2,182,957	5.08%
Non-instructional programs	455	8,637	-94.73%	455	8,637	-94.73%
Other expenses	818,521	858,243	-4.63%	591,350	635,926	-7.01%
Totals	\$ 7,470,194	7,343,631	1.72%	5,448,089	5,417,187	0.57%

- The cost financed by users of the District's programs was \$1,667,757.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$354,348.
- The net cost of governmental activities was financed with \$3,020,247 in property tax, \$154,909 in income surtax, \$550,164 in statewide sales, services and use tax, \$2,592,229 in unrestricted state grants, \$625 in interest income, and \$57,780 in other income.

### Business type Activities

Revenues of the District's business type activities were \$422,590 and expenses were \$439,681. 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 \$6,014,300, above last year's ending fund balances of \$3,310,880. The primary reason for the increase in combined fund balances in fiscal 2013 was due to the increase in the Capital Projects 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 2013 increased 0.14%, or \$9,308 as compared to fiscal 2012. The total expenditures also increased by \$251,966, or 4.10%. With these factors, the General Fund balance increased by \$456,335 or 28.88%.
- The Capital Projects Fund balance increased from \$1,453,539 in fiscal 2012 to \$3,506,301 in fiscal 2013. This increase was a result of the issuance of revenue bonds for construction.
- The Debt Service Fund balance increased from \$184,838 in fiscal 2012 to \$345,958 in fiscal 2013.

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## Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$186,950 at June 30, 2012 to \$169,859 at June 30, 2013, representing a decrease of 9.14%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Treynor Community School District amended its budget, one time to reflect additional expenditures associated with the athletic complex construction project being ahead of schedule.

The District's revenues were \$185,747 more than budgeted revenues, a variance of 2.14%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested \$13,533,490, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$474,783.

The original cost of the District's capital assets was \$19,923,204. Governmental funds account for \$19,660,797 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 \$37,736 at June 30, 2012 as compared to \$2,249,077 at June 30, 2013, due to the District continuing 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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 548,543	250,401	0	0	548,543	250,401	54.35%
Construction in progress	2,249,077	37,736	0	0	2,249,077	37,736	98.32%
Buildings	9,917,462	10,274,350	0	0	9,917,462	10,274,350	-3.60%
Land improvements	219,736	238,068	0	0	219,736	238,068	-8.34%
Machinery and equipment	483,510	373,685	115,162	136,166	598,672	509,851	14.84%
Total	\$ 13,418,328	11,174,240	115,162	136,166	13,533,490	11,310,406	19.66%

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## Long-Term Debt

At June 30, 2013, the District had \$10,782,225 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of 58.69% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$6,150,000 at June 30, 2013.

The District had total outstanding revenue bonded indebtedness of \$4,500,000 at June 30, 2013.

The District had a Net OPEB liability of \$132,225 at June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 6,150,000	6,520,000	0	0	6,150,000	6,520,000	-5.67%
Revenue bonds	4,500,000	175,000	0	0	4,500,000	175,000	2471.43%
Net OPEB liability	130,202	97,906	2,023	1,429	132,225	99,335	32.99%
Total	\$ 10,780,202	6,792,906	2,023	1,429	10,782,225	6,794,335	58.69%

## 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:

- Resident enrollment has been declining in recent years, but the District has experienced increasing open enrollment in. This has resulted in the District maintaining relatively steady enrollment. However the open enrollment in can very easily shift, putting the District in a situation of decreasing enrollment.
- Low allowable growth over several years and enrollment changes 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.

## 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 POSITION  
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
Other	\$ 6,937,997	85,159	7,023,156
Receivables:			
Property tax:			
Delinquent	16,054	0	16,054
Succeeding year	3,008,143	0	3,008,143
Income surtax	141,276	0	141,276
Accounts	4,000	0	4,000
Due from other governments	304,871	0	304,871
Inventories	0	6,350	6,350
Capital assets, net of accumulated depreciation	13,418,328	115,162	13,533,490
<b>TOTAL ASSETS</b>	<b>23,830,669</b>	<b>206,671</b>	<b>24,037,340</b>
<b>LIABILITIES</b>			
Accounts payable	668,670	0	668,670
Salaries and benefits payable	579,952	26,775	606,727
Accrued interest payable	39,271	0	39,271
Deferred revenue:			
Succeeding year property tax	3,008,143	0	3,008,143
Unearned revenue	0	8,014	8,014
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	355,000	0	355,000
Portion due after one year:			
General obligation bonds payable	5,795,000	0	5,795,000
Revenue bonds payable	4,500,000	0	4,500,000
Net OPEB liability	130,202	2,023	132,225
<b>TOTAL LIABILITIES</b>	<b>15,076,238</b>	<b>36,812</b>	<b>15,113,050</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,768,328	115,162	2,883,490
Restricted for:			
Categorical funding	125,310	0	125,310
Debt service	306,687	0	306,687
Management levy purposes	56,388	0	56,388
Student activities	69,034	0	69,034
School infrastructure	3,312,986	0	3,312,986
Physical plant and equipment	193,315	0	193,315
Unrestricted	1,922,383	54,697	1,977,080
<b>TOTAL NET POSITION</b>	<b>\$ 8,754,431</b>	<b>169,859</b>	<b>8,924,290</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,316,680	1,302,931	14,554	(1,999,195)	0	(1,999,195)
Special	399,230	133,007	73,210	(193,013)	0	(193,013)
Other	628,758	231,819	26,700	(370,239)	0	(370,239)
	<u>4,344,668</u>	<u>1,667,757</u>	<u>114,464</u>	<u>(2,562,447)</u>	<u>0</u>	<u>(2,562,447)</u>
Support services:						
Student	175,955	0	0	(175,955)	0	(175,955)
Instructional staff	376,212	0	935	(375,277)	0	(375,277)
Administration	756,672	0	0	(756,672)	0	(756,672)
Operation and maintenance of plant	616,716	0	0	(616,716)	0	(616,716)
Transportation	380,995	0	11,778	(369,217)	0	(369,217)
	<u>2,306,550</u>	<u>0</u>	<u>12,713</u>	<u>(2,293,837)</u>	<u>0</u>	<u>(2,293,837)</u>
Non-instructional programs	455	0	0	(455)	0	(455)
Long-term debt interest	216,130	0	0	(216,130)	0	(216,130)
Other expenditures:						
AEA flowthrough	227,171	0	227,171	0	0	0
Depreciation(unallocated)*	375,220	0	0	(375,220)	0	(375,220)
	<u>602,391</u>	<u>0</u>	<u>227,171</u>	<u>(375,220)</u>	<u>0</u>	<u>(375,220)</u>
Total governmental activities	7,470,194	1,667,757	354,348	(5,448,089)	0	(5,448,089)
Business Type activities:						
Support services:						
Instructional staff	14,863	0	0	0	(14,863)	(14,863)
Non-instructional programs:						
Nutrition services	424,818	312,125	104,658	0	(8,035)	(8,035)
Total business type activities	<u>439,681</u>	<u>312,125</u>	<u>104,658</u>	<u>0</u>	<u>(22,898)</u>	<u>(22,898)</u>
Total	\$ 7,909,875	1,979,882	459,006	(5,448,089)	(22,898)	(5,470,987)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,376,869	0	2,376,869
Debt service				577,995	0	577,995
Capital outlay				65,383	0	65,383
Income surtax				154,909	0	154,909
Statewide sales, services and use tax				550,164	0	550,164
Unrestricted state grants				2,592,229	0	2,592,229
Unrestricted investment earnings				625	16	641
Other general revenues				57,780	5,791	63,571
Total general revenues				<u>6,375,954</u>	<u>5,807</u>	<u>6,381,761</u>
Changes in net position				927,865	(17,091)	910,774
Net position beginning of year				<u>7,826,566</u>	<u>186,950</u>	<u>8,013,516</u>
Net position end of year				<u>\$ 8,754,431</u>	<u>169,859</u>	<u>8,924,290</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,417,319	4,057,087	342,886	120,705	6,937,997
Receivables:					
Property tax:					
Delinquent	11,917	348	3,072	717	16,054
Succeeding year	1,886,736	68,098	803,308	250,001	3,008,143
Income surtax	141,276	0	0	0	141,276
Accounts	0	0	0	4,000	4,000
Due from other governments	221,980	82,891	0	0	304,871
<b>TOTAL ASSETS</b>	<b>\$ 4,679,228</b>	<b>4,208,424</b>	<b>1,149,266</b>	<b>375,423</b>	<b>10,412,341</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 34,645	634,025	0	0	668,670
Salaries and benefits payable	579,952	0	0	0	579,952
Deferred revenue:					
Succeeding year property tax	1,886,736	68,098	803,308	250,001	3,008,143
Income surtax	141,276	0	0	0	141,276
<b>Total liabilities</b>	<b>2,642,609</b>	<b>702,123</b>	<b>803,308</b>	<b>250,001</b>	<b>4,398,041</b>
Fund balances:					
Restricted for:					
Categorical funding	125,310	0	0	0	125,310
Debt service	0	0	345,958	0	345,958
Management levy purposes	0	0	0	56,388	56,388
Student activities	0	0	0	69,034	69,034
School infrastructure	0	3,312,986	0	0	3,312,986
Physical plant and equipment	0	193,315	0	0	193,315
Unassigned	1,911,309	0	0	0	1,911,309
<b>Total Fund balances</b>	<b>2,036,619</b>	<b>3,506,301</b>	<b>345,958</b>	<b>125,422</b>	<b>6,014,300</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,679,228</b>	<b>4,208,424</b>	<b>1,149,266</b>	<b>375,423</b>	<b>10,412,341</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$ 6,014,300
<b><i>Amounts reported for governmental activities in the statement of net position are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	13,418,328
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.	(39,271)
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	141,276
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>(10,780,202)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 8,754,431</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, 2013

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 2,424,338	615,547	577,995	134,852	3,752,732
Tuition	1,398,091	0	0	0	1,398,091
Other	92,425	291	15	235,340	328,071
State sources	2,837,506	23	207	48	2,837,784
Federal sources	108,793	0	0	0	108,793
<b>TOTAL REVENUES</b>	<b>6,861,153</b>	<b>615,861</b>	<b>578,217</b>	<b>370,240</b>	<b>8,425,471</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	3,286,791	0	0	0	3,286,791
Special	399,230	0	0	0	399,230
Other	379,281	0	0	234,307	613,588
	<b>4,065,302</b>	<b>0</b>	<b>0</b>	<b>234,307</b>	<b>4,299,609</b>
Support services:					
Student	176,042	0	0	0	176,042
Instructional staff	231,296	143,094	0	0	374,390
Administration	675,393	10,130	0	0	685,523
Operation and maintenance of plant	525,804	0	0	93,212	619,016
Transportation	503,355	0	0	9,518	512,873
	<b>2,111,890</b>	<b>153,224</b>	<b>0</b>	<b>102,730</b>	<b>2,367,844</b>
Non-instructional programs	455	0	0	0	455
Capital outlay	0	2,505,359	0	0	2,505,359
Long-term debt:					
Principal	0	0	545,000	0	545,000
Interest and fiscal charges	0	0	211,195	0	211,195
	<b>0</b>	<b>0</b>	<b>756,195</b>	<b>0</b>	<b>756,195</b>
Other expenditures:					
AEA flowthrough	227,171	0	0	0	227,171
<b>TOTAL EXPENDITURES</b>	<b>6,404,818</b>	<b>2,658,583</b>	<b>756,195</b>	<b>337,037</b>	<b>10,156,633</b>
Excess(deficiency) of revenues over(under) expenditures	456,335	(2,042,722)	(177,978)	33,203	(1,731,162)
<b>OTHER FINANCING SOURCES(USES):</b>					
Transfer in	0	0	339,098	0	339,098
Transfer out	0	(339,098)	0	0	(339,098)
Revenue bond issuance	0	4,500,000	0	0	4,500,000
Premium on revenue bond issuance	0	2,700	0	0	2,700
Discount on revenue bond issuance	0	(68,118)	0	0	(68,118)
Total other financing sources(uses)	<b>0</b>	<b>4,095,484</b>	<b>339,098</b>	<b>0</b>	<b>4,434,582</b>
Net change in fund balances	456,335	2,052,762	161,120	33,203	2,703,420
Fund balance beginning of year	1,580,284	1,453,539	184,838	92,219	3,310,880
Fund balance end of year	\$ 2,036,619	3,506,301	345,958	125,422	6,014,300

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, 2013

Net change in fund balances - total governmental funds(page 22) \$ 2,703,420

**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	\$ 2,697,867	
Depreciation expense	(453,779)	2,244,088

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 Position. Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(4,500,000)	
Repaid	545,000	(3,955,000)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (27,412)

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. (4,935)

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:

Other postemployment benefits		(32,296)

**Changes in net position of governmental activities(page 19) \$ 927,865**

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 85,159
Inventories	6,350
Capital assets, net of accumulated depreciation	115,162
TOTAL ASSETS	<u>206,671</u>
LIABILITIES	
Salaries and benefits payable	26,775
Unearned revenue	8,014
Long-term liabilities:	
Net OPEB obligation	2,023
TOTAL LIABILITIES	<u>36,812</u>
NET POSITION	
Invested in capital assets	115,162
Unrestricted	54,697
TOTAL NET POSITION	<u>\$ 169,859</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 312,125
Miscellaneous revenue	5,791
TOTAL OPERATING REVENUES	317,916
OPERATING EXPENSES:	
Support services:	
Instructional staff	14,863
Non-instructional programs:	
Food service operations:	
Salaries	146,853
Benefits	35,803
Services	1,817
Supplies	218,997
Depreciation	21,004
Other	344
TOTAL OPERATING EXPENSES	439,681
OPERATING LOSS	(121,765)
NON-OPERATING REVENUES:	
State sources	3,848
Federal sources	100,810
Interest income	16
TOTAL NON-OPERATING REVENUES	104,674
Change in net position	(17,091)
Net position beginning of year	186,950
Net position end of year	\$ 169,859

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 312,228
Cash received from miscellaneous sources	5,791
Cash payments to employees for services	(173,158)
Cash payments to suppliers for goods or services	(210,548)
Net cash used in operating activities	(65,687)
Cash flows from non-capital financing activities:	
Repayments to General Fund	(22,939)
State grants received	3,848
Federal grants received	71,884
Net cash provided by non-capital financing activities	52,793
Cash flows from investing activities:	
Interest on investments	16
Net decrease in cash and cash equivalents	(12,878)
Cash and cash equivalents at beginning of year	98,037
Cash and cash equivalents at end of year	\$ 85,159
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (121,765)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,926
Depreciation	21,004
Decrease in inventories	1,407
Decrease in accounts payable	(4,860)
Increase in salaries and benefits payable	8,904
Increase in deferred revenue	103
Increase in OPEB liability	594
Net cash used in operating activities	\$ (65,687)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$28,926.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

(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 Position (previously referred to as 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 Position presents the District's Non-fiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. 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 Position 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 Position 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 Position.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 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, 2013 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$200 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) Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services, and Use Tax	<u>\$ 339,098</u>

The Capital Projects: Statewide, Sales, Services and Use Tax fund transferred money to the Debt Service Levy Fund to create the bond reserve account for the newly issued revenue bonds.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 250,401	298,142	0	548,543
Construction in progress	37,736	2,211,341	0	2,249,077
Total capital assets not being depreciated	<u>288,137</u>	<u>2,509,483</u>	<u>0</u>	<u>2,797,620</u>
Capital assets being depreciated:				
Buildings	14,703,711	0	0	14,703,711
Land improvements	651,141	0	0	651,141
Machinery and equipment	1,319,941	188,384	0	1,508,325
Total capital assets being depreciated	<u>16,674,793</u>	<u>188,384</u>	<u>0</u>	<u>16,863,177</u>
Less accumulated depreciation for:				
Buildings	4,429,361	356,888	0	4,786,249
Land improvements	413,073	18,332	0	431,405
Machinery and equipment	946,256	78,559	0	1,024,815
Total accumulated depreciation	<u>5,788,690</u>	<u>453,779</u>	<u>0</u>	<u>6,242,469</u>
Total capital assets being depreciated, net	<u>10,886,103</u>	<u>(265,395)</u>	<u>0</u>	<u>10,620,708</u>
Governmental activities capital assets, net	<u>\$ 11,174,240</u>	<u>2,244,088</u>	<u>0</u>	<u>13,418,328</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 262,407	0	0	262,407
Less accumulated depreciation	126,241	21,004	0	147,245
Business type activities capital assets, net	\$ 136,166	(21,004)	0	115,162

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,799
Other		15,170
Support services:		
Instructional staff		1,495
Administration		2,319
Operation and maintenance of plant		6,048
Transportation		51,728
		<u>78,559</u>
Unallocated depreciation		375,220
		<u>375,220</u>
Total governmental activities depreciation expense		<u>\$ 453,779</u>
Business type activities:		
Food services		<u>\$ 21,004</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,520,000	0	370,000	6,150,000	355,000
Revenue bonds	175,000	4,500,000	175,000	4,500,000	0
Net OPEB liability	97,906	32,296	0	130,202	0
Total	<u>\$ 6,792,906</u>	<u>4,532,296</u>	<u>545,000</u>	<u>10,780,202</u>	<u>355,000</u>
Business type activities					
Net OPEB liability	\$ 1,429	594	0	2,023	0

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonds, Fund, are as follows:

Year Ending June 30,	Bond Issue of June 1, 2007			Bond Issue of April 26, 2012			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2014	3.96%	\$ -	185,658	0.50%	355,000	11,650	\$ 355,000	197,308	552,308
2015	3.96%	-	185,658	0.70%	360,000	9,875	360,000	195,533	555,533
2016	3.96%	-	185,658	0.90%	365,000	7,355	365,000	193,013	558,013
2017	3.96%	-	185,658	1.10%	370,000	4,070	370,000	189,728	559,728
2018	3.96%	385,000	185,658	-	-	-	385,000	185,658	570,658
2019-2023	3.96-4.00%	2,195,000	691,423	-	-	-	2,195,000	691,423	2,886,423
2024-2027	3.90-4.00%	2,120,000	216,600	-	-	-	2,120,000	216,600	2,336,600
Total		\$ 4,700,000	1,836,313		\$ 1,450,000	32,950	\$ 6,150,000	1,869,263	8,019,263

Revenue Bonds Payable

Details of the District's June 30, 2013 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 April 1, 2013			
	Interest Rate	Principal	Interest	Total
2014	1.00%	\$ 0	63,861	63,861
2015	1.00%	100,000	84,647	184,647
2016	1.00%	250,000	82,897	332,897
2017	1.00%	255,000	80,372	335,372
2018	1.00%	260,000	77,797	337,797
2019-23	1.2-1.9%	1,335,000	335,161	1,670,161
2024-28	2.0-2.5%	1,465,000	200,034	1,665,034
2029-30	2.6-2.8%	835,000	28,257	863,257
Total		\$ 4,500,000	953,026	5,453,026

The District has pledged future statewide sales, services, and use tax revenues to repay the \$4,500,000, issued on April 1, 2013. 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 2030. 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 \$5,453,026.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$323,926, \$286,866, and \$233,674, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 57 active and 2 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, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 38,951
Interest on net OPEB obligation	2,483
Adjustment to annual required contribution	(5,603)
Annual OPEB cost	<u>35,831</u>
Contributions made	(2,941)
Increase in net OPEB obligation	<u>32,890</u>
Net OPEB obligation beginning of year	<u>99,335</u>
Net OPEB obligation end of year	<u><u>\$ 132,225</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the ended June 30, 2013, the District contributed \$2,941 to the medical plan. Plan members eligible for benefits contributed

\$0 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 39,586	14.67%	\$ 65,902
2012	39,990	16.40%	99,335
2013	35,831	8.21%	132,225

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$318,279, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$318,279. The covered payroll (annual payroll of active employees covered by the plan) was \$3,181,064 and the ratio of UAAL to covered payroll was 10.0%. As of June 30, 2013 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, 2012 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 \$1,506 per month for the retired members of the plan and \$753 for the active employees. The UAAL is being amortized as a level percentage projected payroll expense on an open basis over 30 years.

**(8) 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, 2013 was \$6,972.

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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$227,171 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's ending restricted balance for categorical funding as of the year ended June 30, 2013 is comprised of the following programs:

Program	Amount
Talented and gifted	\$ 44,093
Professional development	20,523
Dropout and dropout prevention	39,701
Beginning teacher mentoring and induction program	47
Educator quality, basic salary	7,488
Model core curriculum	13,458
Total	<u>\$ 125,310</u>

**(11) Construction Commitment**

The District entered into contracts totaling \$4,610,479 for construction of an athletic complex and an elementary playground. To date \$2,249,077 has been incurred and paid, the remaining \$2,361,402 will be paid as work is completed.

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,478,894	317,932	5,796,826	5,553,593	5,553,593	243,233
State sources	2,837,784	3,848	2,841,632	2,903,721	2,903,721	(62,089)
Federal sources	108,793	100,810	209,603	205,000	205,000	4,603
Total revenues	8,425,471	422,590	8,848,061	8,662,314	8,662,314	185,747
Expenditures/expenses:						
Instruction	4,299,609	0	4,299,609	5,325,000	5,325,000	1,025,391
Support services	2,367,844	14,863	2,382,707	2,660,000	2,660,000	277,293
Non-instructional	455	424,818	425,273	475,000	475,000	49,727
Other expenditures	3,488,725	0	3,488,725	1,437,353	5,437,353	1,948,628
Total expenditures/expenses	10,156,633	439,681	10,596,314	9,897,353	13,897,353	3,301,039
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,731,162)	(17,091)	(1,748,253)	(1,235,039)	(5,235,039)	3,486,786
Other financing uses, net	4,434,582	0	4,434,582	0	0	4,434,582
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	2,703,420	(17,091)	2,686,329	(1,235,039)	(5,235,039)	7,921,368
Balance beginning of year	3,310,880	186,950	3,497,830	2,343,304	2,343,304	1,154,526
Balance end of year	\$ 6,014,300	169,859	6,184,159	1,108,265	(2,891,735)	9,075,894

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, the District adopted one budget amendment, increasing budgeted expenditures by \$4,000,000.

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%
2013	July 1, 2012	-	318,279	318,279	0.0%	3,181,064	10.0%

See Note 7 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, 2013

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 65,034	55,671	120,705
Receivables:			
Property tax:			
Delinquent	0	717	717
Succeeding year	0	250,001	250,001
Accounts	4,000	0	4,000
<b>TOTAL ASSETS</b>	<b>\$ 69,034</b>	<b>306,389</b>	<b>375,423</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 0	250,001	250,001
Total Liabilities	0	250,001	250,001
Fund balances:			
Restricted for:			
Management levy purposes	0	56,388	56,388
Student activities	69,034	0	69,034
Total fund balances	69,034	56,388	125,422
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 69,034</b>	<b>306,389</b>	<b>375,423</b>

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, 2013

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 0	134,852	134,852
Other	231,829	3,511	235,340
State sources	0	48	48
TOTAL REVENUES	<u>231,829</u>	<u>138,411</u>	<u>370,240</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	234,307	0	234,307
Support services:			
Operation and maintenance of plant	0	93,212	93,212
Transportation	0	9,518	9,518
TOTAL EXPENDITURES	<u>234,307</u>	<u>102,730</u>	<u>337,037</u>
Excess (deficiency) of revenues over (under) expenditures	(2,478)	35,681	33,203
Fund balance beginning of year	<u>71,512</u>	<u>20,707</u>	<u>92,219</u>
Fund balance end of year	<u>\$ 69,034</u>	<u>56,388</u>	<u>125,422</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,864,120	192,967	4,057,087
Receivables:			
Property tax:			
Delinquent	0	348	348
Succeeding year	0	68,098	68,098
Due from other governments	82,891	0	82,891
<b>TOTAL ASSETS</b>	<b>\$ 3,947,011</b>	<b>261,413</b>	<b>4,208,424</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 634,025	0	634,025
Deferred revenue:			
Succeeding year property tax	0	68,098	68,098
Total Liabilities	634,025	68,098	702,123
Fund balances:			
Restricted for:			
School infrastructure	3,312,986	0	3,312,986
Physical plant and equipment	0	193,315	193,315
Total fund balances	3,312,986	193,315	3,506,301
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,947,011</b>	<b>261,413</b>	<b>4,208,424</b>

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 550,164	65,383	615,547
Other	279	12	291
State sources	0	23	23
TOTAL REVENUES	<u>550,443</u>	<u>65,418</u>	<u>615,861</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	143,094	0	143,094
Administration services	10,130	0	10,130
Other expenditures:			
Capital outlay	2,505,359	0	2,505,359
TOTAL EXPENDITURES	<u>2,658,583</u>	<u>0</u>	<u>2,658,583</u>
Excess (deficiency) of revenues over (under) expenditures	(2,108,140)	65,418	(2,042,722)
OTHER FINANCING SOURCES (USES):			
Transfer out	(339,098)	0	(339,098)
Revenue bond issuance	4,500,000	0	4,500,000
Premium on revenue bond issuance	2,700	0	2,700
Discount on revenue bond issuance	(68,118)	0	(68,118)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,095,484</u>	<u>0</u>	<u>4,095,484</u>
Excess of revenues and other financing sources over expenditures and other financing uses	1,987,344	65,418	2,052,762
Fund balance beginning of year	<u>1,325,642</u>	<u>127,897</u>	<u>1,453,539</u>
Fund balance end of year	<u>\$ 3,312,986</u>	<u>193,315</u>	<u>3,506,301</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	9	9	0
Drama/Speech	10	177	177	10
Instrumental	10	15,451	15,451	10
Vocal	10	6,774	6,774	10
Ticket	0	6,844	6,844	0
Basketball	2,400	31,048	31,308	2,140
Football	5,000	19,813	22,813	2,000
Baseball/Softball	208	22,736	22,578	366
Track	2,018	7,098	9,046	70
Golf	2,500	80	1,830	750
Wrestling	2,000	3,918	4,918	1,000
Volleyball	2,500	12,412	13,412	1,500
Weight Room	3,500	0	3,000	500
Jr - Sr High	2,248	880	2,284	844
Class of 2011	157	0	157	0
Class of 2012	157	0	157	0
Class of 2013	3,016	230	2,104	1,142
Class of 2014	0	11,552	8,649	2,903
Student Council	1,205	5,497	5,659	1,043
Uniforms	0	3,653	2,442	1,211
National Honor Society	317	0	317	0
Book Club	1,298	0	0	1,298
Chearleaders	5,043	15,617	11,209	9,451
I-T Club	200	0	0	200
Business Club	3,546	265	142	3,669
Academic Team	253	0	10	243
Hall of fame	1,402	235	0	1,637
Elementary (Student Leader)	15,135	19,879	13,901	21,113
Elementary Student Council	815	1,958	1,465	1,308
Junior High Leadership	943	2,851	2,595	1,199
Assemblies	400	218	618	0
Yearbook	9,197	12,707	13,048	8,856
Drill Team	3,123	20,252	20,961	2,414
Middle School Student Council	218	1,911	1,645	484
Capital Improvements	450	0	75	375
IGHSAU Scholarships	750	250	0	1,000
Miscellaneous Activities	1,483	7,514	8,709	288
Total	\$ 71,512	231,829	234,307	69,034

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,752,732	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	1,398,091	1,288,905	1,139,698	1,008,067	913,734	830,325	762,074	726,360	598,465	512,865
Other	328,071	319,442	291,029	299,132	326,872	460,214	290,073	260,551	271,575	298,695
State sources	2,837,784	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	108,793	196,359	153,843	455,249	67,240	61,317	77,328	81,748	115,777	67,217
Total	\$ 8,425,471	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	\$ 3,286,791	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	399,230	477,587	411,932	413,797	463,031	321,325	337,545	284,127	241,717	269,001
Other	613,588	561,401	579,683	539,353	522,429	498,299	423,344	410,782	362,745	374,006
Support services:										
Student	176,042	186,007	180,439	175,816	115,192	161,504	93,121	89,597	85,197	82,558
Instructional staff	374,390	368,138	199,494	137,260	157,618	139,872	141,035	122,009	113,293	59,035
Administration	685,523	572,908	511,693	485,321	489,386	461,938	466,336	424,463	397,420	371,509
Operation and maintenance										
of plant	619,016	595,352	592,834	575,408	613,921	538,937	505,544	485,050	391,884	365,371
Transportation	512,873	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	0	59,216	3,341
Non-instructional programs	455	8,637	0	0	0	161	3,936	15,388	0	3,300
Capital outlay	2,505,359	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	545,000	1,845,000	475,000	455,000	440,000	420,000	400,000	520,000	360,000	220,000
Interest and fiscal charges	211,195	265,593	290,621	317,640	337,250	338,434	252,160	231,407	236,071	170,619
Other expenditures:										
AEA flow-through	227,171	222,317	240,511	230,471	207,225	194,933	173,779	157,752	151,671	144,976
Total	\$ 10,156,633	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.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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 in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2014.

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 an 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.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be material weakness.

A significant deficiency is a deficiency, or a 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-13 and I-C-13 to be significant deficiencies.

**Members American Institute & Iowa Society of Certified Public Accountants**

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, 2013 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

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

January 29, 2014  
Newton, Iowa

TREYNOR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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.

- 1) Disbursements - purchase order processing, check preparation, mailing and recording.
- 2) Capital assets - purchasing, recording and reconciling.
- 3) Wire transfers - processing and approving.
- 4) Transfers - preparing and approving.

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 continually seeking ways to improve segregation of duties with the current staff.

Conclusion - Response accepted.

I-B-13 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 - We do all the above letters with the exception of letters B, D & E. We are still working on how to best handle those since often times there are more than 1 or 2 gates. Our athletic Director is working on the procedures.

Conclusion - Response accepted.

I-C-13 Purchase Orders - We noted that purchase orders do not appear to be used consistently in the Activity Fund. We noted fifteen out of twenty-seven disbursements from the Activity Fund lacked a purchase order.

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

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District’s current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the order is placed.

Response - The Activity Fund will better utilize the use of Purchase Orders.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - We noted expenses paying for food for parent teacher conferences from the Activity Fund.

Recommendation - Parent Teacher conferences do not appear to be related to the cocurricular and extracurricular activities of the school district and would therefore it would appear to be an inappropriate use of the student activity fund to record the expenses associated with providing food.

Response - There will be no Parent Teacher expenses paid from the Activity Fund

Conclusion - Response accepted.

II-C-13 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-13 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	\$600
Mike Travis, Teacher Owns Travis Turf	Purchased services	\$10,866

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-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,325,642
Revenues:			
Sales tax revenues	\$	550,164	
Sale of long-term debt		4,500,000	
Other		2,700	
Other local revenues		279	
		<u>279</u>	<u>5,053,143</u>
			<u>6,378,785</u>
Expenditures/transfers out:			
School infrastructure construction		1,840,389	
Land		297,035	
Equipment		140,493	
Other		448,784	
Transfers to other funds			
Debt service fund		<u>339,098</u>	<u>3,065,799</u>
Ending balance			<u>\$ 3,312,986</u>

For the year ended June 30, 2013, 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-13 Student Activity Fund - In accordance with 298.8 of the Code of Iowa and the 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. More specific examples of these instances of questioned items and recommendations are as follow

**Target Donations:** Donations from Target were received in the Elementary and JRSR High accounts in the student activity fund. Target donations are considered an undesignated donation, and therefore should be receipted into the General Fund for use as determined by the District's Board of Directors. The Designation should be noted annually in the District's board minutes.

Recommendation - The District should evaluate the appropriateness of recording Target donations in the student activity fund.

Response - Target donations will be deposited in General Fund.

Conclusion - Response accepted.

**Commissions:** Pepsi commissions and Pyles picture commissions were receipted to the Student Activity Fund. School Districts operate under Dillon's Rule which restricts the district to what authority is stated. Since commissions are not stated as allowable revenue in the Activity Fund, it would be inappropriate to record the revenue in the Activity Fund.

Recommendation - Since the Activity Fund is unable to record commission revenue due to Dillon's Rule, the logical place to record the revenue would be the General Fund.

Response - Commissions will be deposited into General Fund.

Conclusion - Response accepted.

**Box Tops for Education:** We noted the District recorded revenue from Box Tops for Education in the Activity Fund. Donations to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment.

Recommendation - Since the items listed for purchase appear to be more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - Box Tops for Education will be deposited into General Fund.

Conclusion - Response accepted.

**Scholarship:** We noted a High School Athletic Union scholarship awarded from the activity fund. Money in the Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - If the District plans on awarding scholarships in the future the District should establish a Scholarship Fund to enable recording revenues and expenses appropriately.

Response - Should any further scholarship money come in, it will be established in its own fund.

Conclusion - Response accepted.

**Science Writing Heuristic Grant:** The District received money for participating in a research project examining the Science Writing Heuristic approach, an alternative method designed to encourage students to examine laboratory activities more carefully within their science classes.

Recommendation - Since the money is being received for participation in a research project focused on instructional objectives, it would appear logical for the revenue to be receipted in the General Fund and any future transactions associated with this project to be recorded in the General Fund.

Response - Any further grant money of this nature will be deposited into General Fund.

Conclusion - Response accepted.

**Appreciation Events:** We noted expenses for appreciation events for board members and staff of the school district being paid from the Student Activity Fund. Money was fundraised from local business sponsors to cover most of the cost with the remainder being covered by the administration of the district.

Recommendation - Appreciation events do not appear to be related to the cocurricular and extracurricular activities of the school district. It would appear to be more appropriate to record the donations for these events and the expenses in the General Fund.

Response - Any future appreciation event donations will be deposited into the General Fund.

Conclusion - Response accepted.