

TREYNOR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Treynor Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Directors

(Before October 2013 Election)

David Paulsen	President	2015
Jerry Hempel	Vice President	2015
Sally Myers	Board Member	2013
Gary Funkhouser	Board Member	2013
Randall Young	Board Member	2015

(After October 2013 Election)

Jerry Hempel	President	2015
Gary Funkhouser	Vice President	2017
David Paulsen	Board Member	2015
Randall Young	Board Member	2015
Erica Schnepel	Board Member	2017

School Officials

Kevin Elwood	Superintendent	2014
Karli North	Board Secretary/ District Treasurer	2014
Smith Peterson	Attorney	2014

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
Treyner 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 Treyner Community School District, Treyner Iowa, as of and for the year ended June 30, 2014, 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 Treyner Community School District as of June 30, 2014, 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 16 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 seven years ended June 30, 2013 (which are not presented herein) and expressed an unmodified 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 two years ended June 30, 2006 (none of which are presented herein) and expressed an unmodified 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 16, 2015 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 16, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Treynor Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,861,153 in fiscal 2013 to \$6,671,754 in fiscal 2014, and General Fund expenditures increased from \$6,404,818 in fiscal 2013 to \$6,603,126 in fiscal 2014. The District's General Fund balance increased from \$2,036,619 in fiscal 2013 to a balance of \$2,105,247 in fiscal 2014, a 3.37% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues in fiscal 2014 compared to the prior year. The increase in expenditures was due primarily to an increase in instruction costs.

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.

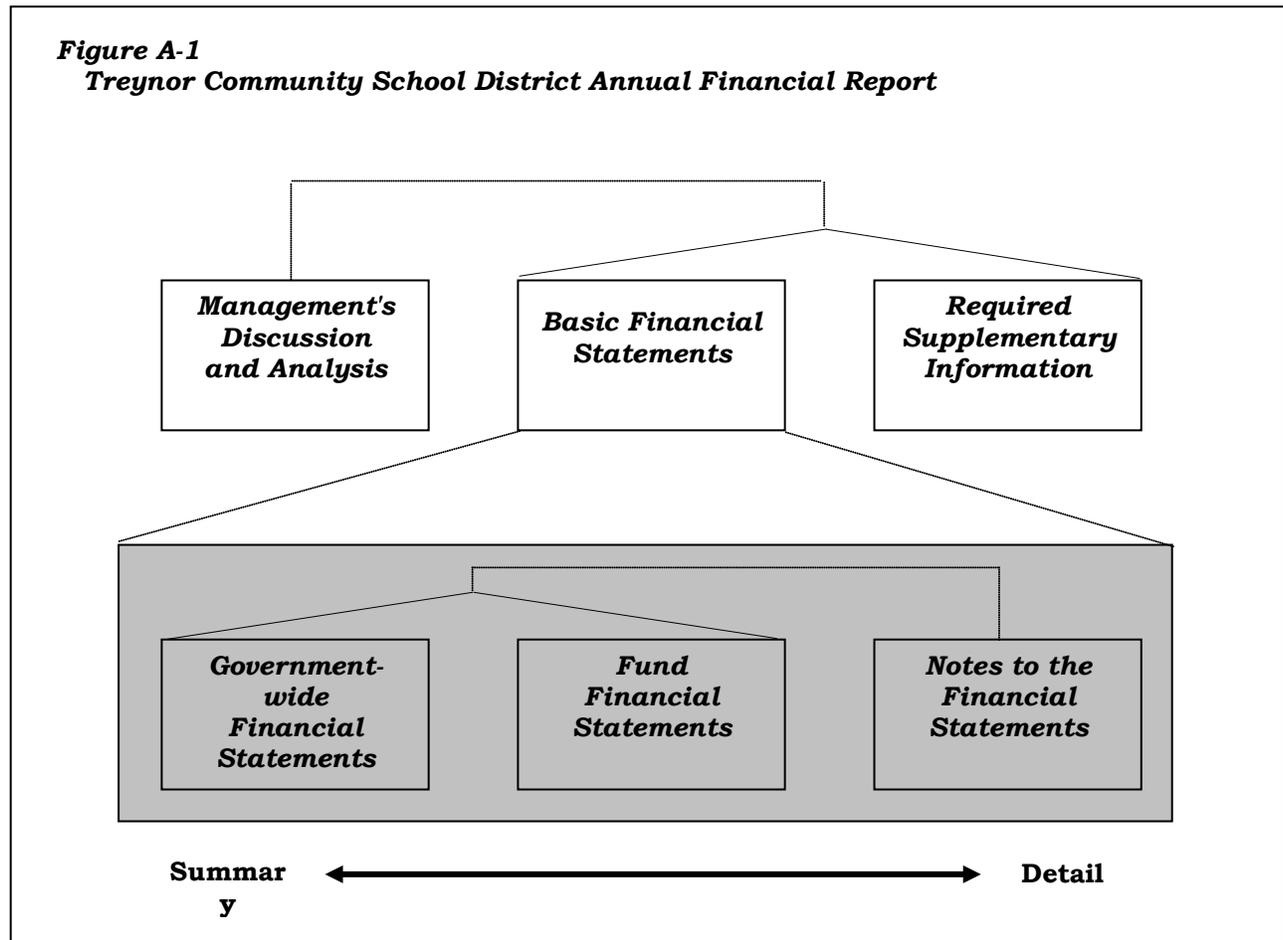


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District’s financial health or financial 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 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,730,338	10,412,341	83,646	91,509	7,813,984	10,503,850	-25.61%
Capital assets	15,270,526	13,418,328	111,951	115,162	15,382,477	13,533,490	13.66%
Total assets	<u>23,000,864</u>	<u>23,830,669</u>	<u>195,597</u>	<u>206,671</u>	<u>23,196,461</u>	<u>24,037,340</u>	<u>-3.50%</u>
Long-term obligations	10,208,558	10,780,202	2,390	2,023	10,210,948	10,782,225	-5.30%
Other liabilities	716,090	1,287,893	28,800	34,789	744,890	1,322,682	-43.68%
Total liabilities	<u>10,924,648</u>	<u>12,068,095</u>	<u>31,190</u>	<u>36,812</u>	<u>10,955,838</u>	<u>12,104,907</u>	<u>-9.49%</u>
Deferred inflows of resources	3,064,768	3,008,143	-	-	3,064,768	3,008,143	1.88%
Net position:							
Invested in capital assets, net of related debt	5,225,526	5,266,825	111,951	115,162	5,337,477	5,381,987	-0.83%
Restricted	1,849,050	1,565,223	-	-	1,849,050	1,565,223	18.13%
Unrestricted	1,936,872	1,922,383	52,456	54,697	1,989,328	1,977,080	0.62%
Total net position	<u>\$ 9,011,448</u>	<u>8,754,431</u>	<u>164,407</u>	<u>169,859</u>	<u>9,175,855</u>	<u>8,924,290</u>	<u>2.82%</u>

The District's combined net position increased by \$251,565 or by 2.82%, over the prior year. The 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 \$283,827, or 18.13% over the prior year. The increase in restricted net position was mainly attributable to the increase in fund balance of the Capital Projects: Physical Plant and Equipment Levy Fund and the Management Levy Fund.

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 \$12,248, or 0.62%. 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, 2014 compared to June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 1,727,655	1,667,757	309,088	312,125	2,036,743	1,979,882	2.87%
Operating grants and contributions and restricted interest	350,164	354,348	108,380	104,658	458,544	459,006	-0.10%
General revenues:							
Property tax	3,006,803	3,020,247	-	-	3,006,803	3,020,247	-0.45%
Income surtax	171,917	154,909	-	-	171,917	154,909	10.98%
Statewide sales, services and use tax	518,664	550,164	-	-	518,664	550,164	-5.73%
Unrestricted state grants	2,695,486	2,592,229	-	-	2,695,486	2,592,229	3.98%
Unrestricted investment earnings	421	625	9	16	430	641	-32.92%
Other	34,425	57,780	2,805	5,791	37,230	63,571	-41.44%
Total revenues	8,505,535	8,398,059	420,282	422,590	8,925,817	8,820,649	1.19%
Program expenses:							
Governmental activities:							
Instructional	4,676,939	4,344,668	-	-	4,676,939	4,344,668	7.65%
Support services	2,442,276	2,306,550	7,922	14,863	2,450,198	2,321,413	5.55%
Non-instructional programs	-	455	417,812	424,818	417,812	425,273	-1.75%
Other expenditures	1,129,303	818,521	-	-	1,129,303	818,521	37.97%
Total expenses	8,248,518	7,470,194	425,734	439,681	8,674,252	7,909,875	9.66%
Change in net position	257,017	927,865	(5,452)	(17,091)	251,565	910,774	-72.38%
Net position beginning of year	8,754,431	7,826,566	169,859	186,950	8,924,290	8,013,516	11.37%
Net position end of year	\$ 9,011,448	8,754,431	164,407	169,859	9,175,855	8,924,290	2.82%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 75.16% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.33% of the revenue from business type activities.

The District's total revenues were approximately \$8.93 million of which approximately \$8.51 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 1.19% increase in revenues and a 9.66% increase in expenses. Unrestricted state grants increased \$103,257 to fund the 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 \$8,505,535 and expenses were \$8,248,518.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,676,939	4,344,668	7.65%	2,849,049	2,562,447	11.18%
Support services	2,442,276	2,306,550	5.88%	2,426,935	2,293,837	5.80%
Non-instructional programs	-	455	-100.00%	-	455	-100.00%
Other expenses	1,129,303	818,521	37.97%	894,715	591,350	51.30%
Totals	<u>\$ 8,248,518</u>	<u>7,470,194</u>	<u>10.42%</u>	<u>6,170,699</u>	<u>5,448,089</u>	<u>13.26%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,727,655.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$350,164.
- The net cost of governmental activities was financed with \$3,006,803 in property tax, \$171,917 in income surtax, \$518,664 in statewide sales, services and use tax, \$2,695,486 in unrestricted state grants, \$421 in interest income, and \$34,425 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$420,282 and expenses were \$425,734. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,879,099, below last year's ending fund balances of \$6,014,300. The primary reason for the decrease in combined fund balances in fiscal 2014 was due to the decrease in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Overall, the General Fund revenues for fiscal 2014 decreased 2.76%, or \$189,399 as compared to fiscal 2013. The total expenditures also increased by \$198,308, or 3.10%. With these factors, the General Fund balance increased by \$68,628 or 3.37%.
- The Capital Projects Fund balance decreased from \$3,506,301 in fiscal 2013 to \$1,160,644 in fiscal 2014. The decrease in fund balance is attributable to the completion of the renovations at the District's sports complex.
- The Debt Service Fund balance decreased from \$345,958 in fiscal 2013 to \$345,877 in fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$169,859 at June 30, 2013 to \$164,407 at June 30, 2014, representing a decrease of 3.21%.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$319,440 less than budgeted revenues, a variance of 3.46%. The most significant variance resulted from the District receiving less 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, 2014, the District had invested \$15,382,477, 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 \$702,499.

The original cost of the District's capital assets was \$22,418,157. Governmental funds account for \$22,138,952 with the remainder of \$279,205 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 \$2,249,077 at June 30, 2013 as compared to \$0 at June 30, 2014, due to the completion of construction projects at the sports 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,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 548,543	548,543	-	-	548,543	548,543	0.00%
Construction in progress	-	2,249,077	-	-	-	2,249,077	-100.00%
Buildings	10,095,157	9,917,462	-	-	10,095,157	9,917,462	1.76%
Land improvements	4,152,008	219,736	-	-	4,152,008	219,736	94.71%
Machinery and equipment	474,818	483,510	111,951	115,162	586,769	598,672	-2.03%
Total	\$ 15,270,526	13,418,328	111,951	115,162	15,382,477	13,533,490	13.66%

Long-Term Debt

At June 30, 2014, the District had \$10,208,558 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of 5.30% 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 \$5,545,000 at June 30, 2014.

The District had total outstanding revenue bonded indebtedness of \$4,500,000 at June 30, 2014.

The District had a Net OPEB liability of \$165,948 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 5,545,000	6,150,000	-	-	5,545,000	6,150,000	-9.84%
Revenue bonds	4,500,000	4,500,000	-	-	4,500,000	4,500,000	0.00%
Net OPEB liability	163,558	130,202	2,390	2,023	165,948	132,225	25.62%
Total	\$ 10,208,558	10,780,202	2,390	2,023	10,210,948	10,782,225	-5.30%

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 the 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.

BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,186,789	77,435	4,264,224
Receivables:			
Property tax:			
Delinquent	15,899	-	15,899
Succeeding year	3,064,768	-	3,064,768
Income surtax	145,840	-	145,840
Accounts	44,488	493	44,981
Due from other governments	272,554	-	272,554
Inventories	-	5,718	5,718
Capital assets, net of accumulated depreciation	15,270,526	111,951	15,382,477
Total assets	23,000,864	195,597	23,196,461
Liabilities			
Accounts payable	57,207	-	57,207
Salaries and benefits payable	583,424	21,140	604,564
Accrued interest payable	75,459	-	75,459
Unearned revenue	-	7,660	7,660
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	360,000	-	360,000
Revenue bonds payable	100,000	-	100,000
Portion due after one year:			
General obligation bonds payable	5,185,000	-	5,185,000
Revenue bonds payable	4,400,000	-	4,400,000
Net OPEB liability	163,558	2,390	165,948
Total liabilities	10,924,648	31,190	10,955,838
Deferred Inflows of Resources			
Unavailable property tax revenues	3,064,768	-	3,064,768
Net Position			
Net investment in capital assets	5,225,526	111,951	5,337,477
Restricted for:			
Categorical funding	150,657	-	150,657
Debt service	270,418	-	270,418
Management levy purposes	200,800	-	200,800
Student activities	66,531	-	66,531
School infrastructure	930,598	-	930,598
Physical plant and equipment	230,046	-	230,046
Unrestricted	1,936,872	52,456	1,989,328
Total net position	\$ 9,011,448	164,407	9,175,855

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,543,668	1,388,246	17,416	(2,138,006)	-	(2,138,006)
Special	514,361	108,004	59,128	(347,229)	-	(347,229)
Other	618,910	228,695	26,401	(363,814)	-	(363,814)
	4,676,939	1,724,945	102,945	(2,849,049)	-	(2,849,049)
Support services:						
Student	187,332	-	-	(187,332)	-	(187,332)
Instructional staff	243,141	-	1,050	(242,091)	-	(242,091)
Administration	804,258	-	-	(804,258)	-	(804,258)
Operation and maintenance of plant	775,153	-	-	(775,153)	-	(775,153)
Transportation	432,392	2,710	11,581	(418,101)	-	(418,101)
	2,442,276	2,710	12,631	(2,426,935)	-	(2,426,935)
Long-term debt interest	299,606	-	-	(299,606)	-	(299,606)
Other expenditures:						
AEA flowthrough	234,588	-	234,588	-	-	-
Depreciation(unallocated)*	595,109	-	-	(595,109)	-	(595,109)
	829,697	-	234,588	(595,109)	-	(595,109)
Total governmental activities	8,248,518	1,727,655	350,164	(6,170,699)	-	(6,170,699)
Business type activities:						
Support services:						
Instructional staff	7,922	-	-	-	(7,922)	(7,922)
Non-instructional programs:						
Food service operations	417,812	309,088	108,380	-	(344)	(344)
Total business type activities	425,734	309,088	108,380	-	(8,266)	(8,266)
Total	\$ 8,674,252	2,036,743	458,544	(6,170,699)	(8,266)	(6,178,965)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,135,785	-	2,135,785
Debt service				802,951	-	802,951
Capital outlay				68,067	-	68,067
Income surtax				171,917	-	171,917
Statewide sales, services and use tax				518,664	-	518,664
Unrestricted state grants				2,695,486	-	2,695,486
Unrestricted investment earnings				421	9	430
Other				34,425	2,805	37,230
Total general revenues				6,427,716	2,814	6,430,530
Change in net position				257,017	(5,452)	251,565
Net position beginning of year				8,754,431	169,859	8,924,290
Net position end of year				\$ 9,011,448	164,407	9,175,855

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,504,332	1,077,638	341,631	263,188	4,186,789
Receivables:					
Property tax:					
Delinquent	9,972	360	4,246	1,321	15,899
Succeeding year	1,886,879	71,356	806,533	300,000	3,064,768
Income surtax	145,840	-	-	-	145,840
Accounts	41,666	-	-	2,822	44,488
Due from other governments	189,908	82,646	-	-	272,554
Total assets	\$ 4,778,597	1,232,000	1,152,410	567,331	7,730,338
Liabilities, Deferred Infows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 57,207	-	-	-	57,207
Salaries and benefits payable	583,424	-	-	-	583,424
Total liabilities	640,631	-	-	-	640,631
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,886,879	71,356	806,533	300,000	3,064,768
Income surtax	145,840	-	-	-	145,840
Total liabilities	2,032,719	71,356	806,533	300,000	3,210,608
Fund balances:					
Restricted for:					
Categorical funding	150,657	-	-	-	150,657
Debt service	-	-	345,877	-	345,877
Management levy purposes	-	-	-	200,800	200,800
Student activities	-	-	-	66,531	66,531
School infrastructure	-	930,598	-	-	930,598
Physical plant and equipment	-	230,046	-	-	230,046
Unassigned	1,954,590	-	-	-	1,954,590
Total fund balances	2,105,247	1,160,644	345,877	267,331	3,879,099
Total liabilities, deferred infows of resources and fund balances	\$ 4,778,597	1,232,000	1,152,410	567,331	7,730,338

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, 2014

Total fund balances of governmental funds(page 20)	\$ 3,879,099
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	15,270,526
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.	(75,459)
Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.	145,840
Long-term liabilities, including general obligation bonds payable, revenue bonds 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>(10,208,558)</u>
Net position of governmental activities(page 18)	<u><u>\$ 9,011,448</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, 2014

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,053,249	68,067	802,951	249,889	3,174,156
Tuition	1,443,415	-	-	-	1,443,415
Other	89,847	190	-	230,739	320,776
State sources	2,950,245	518,687	275	85	3,469,292
Federal sources	93,332	-	-	-	93,332
Total revenues	6,630,088	586,944	803,226	480,713	8,500,971
Expenditures:					
Current:					
Instruction:					
Regular	3,346,343	-	-	-	3,346,343
Special	488,882	-	-	-	488,882
Other	428,690	-	-	226,350	655,040
	4,263,915	-	-	226,350	4,490,265
Support services:					
Student	176,036	-	-	-	176,036
Instructional staff	211,792	16,174	-	-	227,966
Administration	757,405	1,000	-	-	758,405
Operation and maintenance of plant	626,132	-	-	101,113	727,245
Transportation	333,258	-	-	11,341	344,599
	2,104,623	17,174	-	112,454	2,234,251
Capital outlay	-	2,850,316	-	-	2,850,316
Long-term debt:					
Principal	-	-	605,000	-	605,000
Interest and fiscal charges	-	-	263,418	-	263,418
	-	-	868,418	-	868,418
Other expenditures:					
AEA flowthrough	234,588	-	-	-	234,588
Total expenditures	6,603,126	2,867,490	868,418	338,804	10,677,838
Excess(Deficiency) of revenues over(under) expenditures	26,962	(2,280,546)	(65,192)	141,909	(2,176,867)
Other financing sources (uses):					
Transfer in	-	-	65,111	-	65,111
Transfer out	-	(65,111)	-	-	(65,111)
Insurance proceeds	41,666	-	-	-	41,666
Total other financing sources(uses)	41,666	(65,111)	65,111	-	41,666
Change in fund balances	68,628	(2,345,657)	(81)	141,909	(2,135,201)
Fund balance beginning of year	2,036,619	3,506,301	345,958	125,422	6,014,300
Fund balance end of year	\$ 2,105,247	1,160,644	345,877	267,331	3,879,099

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, 2014

Change in fund balances - total governmental funds(page 22) \$ (2,135,201)

*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, capital outlay expenditures and loss on asset disposal in the current year are as follows:

Capital outlay expenditures	\$ 2,645,231	
Depreciation expense	(681,070)	
Loss on asset disposal	<u>(111,963)</u>	1,852,198

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. 605,000

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 4,564

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. (36,188)

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	<u>(33,356)</u>
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Change in net position of governmental activities(page 19) \$ 257,017

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 77,435
Accounts receivable	493
Inventories	5,718
Total current assets	83,646
Noncurrent assets:	
Capital assets, net of accumulated depreciation	111,951
Total assets	195,597
Liabilities	
Current liabilities:	
Salaries and benefits payable	21,140
Unearned revenue	7,660
Total current liabilities	28,800
Noncurrent liabilities:	
Net OPEB liability	2,390
Total liabilities	31,190
Net Position	
Invested in capital assets	111,951
Unrestricted	52,456
Total net position	\$ 164,407

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 309,088
Miscellaneous	2,805
Total operating revenues	311,893
 Operating expenses:	
Support services:	
Instructional staff:	
Services	7,922
 Non-instructional programs:	
Food service operations:	
Salaries	144,440
Benefits	34,483
Services	2,651
Supplies	213,732
Depreciation	21,429
Other	610
	417,345
Total operating expenses	425,267
 Operating loss	(113,374)
 Non-operating revenues(expenses):	
Loss on asset disposal	(467)
State sources	3,861
Federal sources	104,519
Interest income	9
Total non-operating revenues(expenses)	107,922
 Decrease in net position	(5,452)
 Net position beginning of year	169,859
 Net position end of year	\$ 164,407

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

		Enterprise School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$	308,241
Cash received from miscellaneous sources		2,805
Cash payments to employees for services		(184,191)
Cash payments to suppliers for goods or services		(194,492)
Net cash used in operating activities		(67,637)
Cash flows from non-capital financing activities:		
State grants received		3,861
Federal grants received		74,728
Net cash provided by non-capital financing activities		78,589
Cash flows from capital financing activities:		
Acquisition of capital assets		(18,685)
Cash flows from investing activities:		
Interest on investments		9
Net decrease in cash and cash equivalents		(7,724)
Cash and cash equivalents at beginning of year		85,159
Cash and cash equivalents at end of year	\$	77,435
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$	(113,374)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed		29,791
Depreciation		21,429
Decrease in inventories		632
Increase in accounts payable		(493)
Decrease in salaries and benefits payable		(5,635)
Decrease in deferred revenue		(354)
Increase in other postemployment benefits		367
Net cash used in operating activities	\$	(67,637)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received Federal commodities valued at \$29,791.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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 nonmajor 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 policies 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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.

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, 2014. 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.

Deferred Inflows of Resources - 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 year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in 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.

Fund Balances - 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.

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, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$41 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, 2014 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services, and Use Tax	\$ 65,111

The transfer from the Capital Projects: Statewide, Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 548,543	-	-	548,543
Construction in progress	2,249,077	2,625,231	4,874,308	-
Total capital assets not being depreciated	<u>2,797,620</u>	<u>2,625,231</u>	<u>4,874,308</u>	<u>548,543</u>
Capital assets being depreciated:				
Buildings	14,703,711	658,509	155,933	15,206,287
Land improvements	651,141	4,158,530	-	4,809,671
Machinery and equipment	1,508,325	77,269	11,143	1,574,451
Total capital assets being depreciated	<u>16,863,177</u>	<u>4,894,308</u>	<u>167,076</u>	<u>21,590,409</u>
Less accumulated depreciation for:				
Buildings	4,786,249	368,851	43,970	5,111,130
Land improvements	431,405	226,258	-	657,663
Machinery and equipment	1,024,815	85,961	11,143	1,099,633
Total accumulated depreciation	<u>6,242,469</u>	<u>681,070</u>	<u>55,113</u>	<u>6,868,426</u>
Total capital assets being depreciated, net	<u>10,620,708</u>	<u>4,213,238</u>	<u>111,963</u>	<u>14,721,983</u>
Governmental activities capital assets, net	<u>\$ 13,418,328</u>	<u>6,838,469</u>	<u>4,986,271</u>	<u>15,270,526</u>
Business type activities:				
Machinery and equipment	\$ 262,407	18,685	1,887	279,205
Less accumulated depreciation	147,245	21,429	1,420	167,254
Business type activities capital assets, net	<u>\$ 115,162</u>	<u>(2,744)</u>	<u>467</u>	<u>111,951</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,800
Other	10,481
Support services:	
Instructional staff	1,495
Administration	2,319
Operation and maintenance of plant	5,644
Transportation	64,222
	<u>85,961</u>
Unallocated depreciation	<u>595,109</u>
Total governmental activities depreciation expense	<u>\$ 681,070</u>
Business type activities:	
Food services	<u>\$ 21,429</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,150,000	-	605,000	5,545,000	360,000
Revenue bonds	4,500,000	-	-	4,500,000	100,000
Net OPEB liability	130,202	33,356	-	163,558	-
Total	\$ 10,780,202	33,356	605,000	10,208,558	460,000
Business type activities					
Net OPEB liability	\$ 2,023	367	-	2,390	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2007			Bond Issue of April 26, 2012			Principal	Interest	Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest			
2015	3.80 %	\$ -	185,658	0.70 %	360,000	9,875	360,000	195,533	555,533
2016	3.80	-	185,658	0.90	365,000	7,355	365,000	193,013	558,013
2017	3.80	-	185,658	1.10	370,000	4,070	370,000	189,728	559,728
2018	3.80	385,000	165,657	-	-	-	385,000	165,657	550,657
2019	3.85	405,000	151,027	-	-	-	405,000	151,027	556,027
2020-2024	3.88-4.00	2,285,000	505,195	-	-	-	2,285,000	505,195	2,790,195
2025-2027	4.00	1,375,000	76,800	-	-	-	1,375,000	76,800	1,451,800
Total		\$ 4,450,000	1,455,653		1,095,000	21,300	5,545,000	1,476,953	7,021,953

Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services, and use tax revenue bonded indebtedness, which is paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, is as follows:

Year Ending June 30,	Bond Issue of April 1, 2013			
	Interest Rate	Principal	Interest	Total
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	1.20	260,000	74,937	334,937
2020-24	1.40-2.00	1,355,000	312,901	1,667,901
2025-29	2.10-2.60	1,500,000	165,693	1,665,693
2030	2.80	520,000	9,921	529,921
Total		\$ 4,500,000	889,165	5,389,165

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 36% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,389,165. For the current year, \$63,861 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$518,664.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following:

- a) \$339,098 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account held at Treynor State Bank. The proceeds in the reserve account are to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account held by the bond paying agent, Banker's Trust N.A.
- b) All proceeds of the statewide sales, services and use tax shall be deposited in the District's bank account at Treynor State Bank. Monthly transfers will be made from the account at Treynor State Bank to the revenue account held by the bond paying agent.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be used for any lawful purpose.

(6) Advance Refunding

On April 8, 2013, as part of the District's budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund \$250,000 in principal of the June 1, 2007 general obligation bond issuance. The District levied an additional \$1.21150 per \$1,000 taxable valuation for fiscal year 2014.

During the year ended June 30, 2014, the additional debt service levy totaled \$250,000. This amount of additional debt service levy property tax was used to advance refund \$250,000 of outstanding general obligation bonds dated June 1, 2007. The property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay \$250,000 in principal of the May 1, 2027 bond payment and corresponding interest when the bonds become callable on May 1, 2017. The \$250,000 in principal has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2014, \$250,000 of such bonds are outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively. The economic savings from this bond refunding is \$100,000.

On April 10, 2014, as part of the District's fiscal year 2015 budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund \$250,000 in principal of the June 1, 2007 general obligation bond issuance. The District will levy an additional \$1.15617 per \$1,000 taxable valuation for fiscal year 2015. During fiscal year 2015, the additional debt service levy amount collected will be \$250,000. The \$250,000 in refunded principal will be removed from the appropriate financial statements and schedules in fiscal year 2015.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$343,002, \$323,926, and \$286,866, respectively, equal to the required contributions for each year.

(8) 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, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 41,218
Interest on net OPEB obligation	3,306
Adjustment to annual required contribution	(8,442)
Annual OPEB cost	<u>36,082</u>
Contributions made	(2,359)
Increase in net OPEB obligation	<u>33,723</u>
Net OPEB obligation beginning of year	<u>132,225</u>
Net OPEB obligation end of year	<u><u>\$ 165,948</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, 2014.

For the ended June 30, 2014, the District contributed \$2,359 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 39,990	16.40%	\$ 99,335
2013	35,831	8.21%	132,225
2014	36,082	6.54%	165,948

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$317,231, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$317,231. The covered payroll (annual payroll of active employees covered by the plan) was \$3,308,747 and the ratio of UAAL to covered payroll was 9.6%. As of June 30, 2014 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 include 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.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$234,588 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending restricted balance for categorical funding as of the year ended June 30, 2014 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 39,281
Professional development	14,142
Dropout and dropout prevention	64,820
Teacher salary supplement	6,259
Model core curriculum	3,278
Successful progression for early readers	15,666
Teacher leadership grants	7,211
Total	<u>\$ 150,657</u>

(12) Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	345,877	1,954,590
Capital assets	15,270,526	-	-
General obligation bond proceeds expended for capital assets	(5,545,000)	-	-
Revenue bond proceeds expended for capital assets	(4,500,000)	-	-
Accrued interest payable	-	(75,459)	-
Income surtax	-	-	145,840
Net OPEB liability	-	-	(163,558)
Net position	<u>\$ 5,225,526</u>	<u>270,418</u>	<u>1,936,872</u>

(13) Prospective Account Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 4,938,347	311,902	5,250,249	6,071,111	6,071,111	(820,862)
State sources	3,469,292	3,861	3,473,153	2,849,582	2,849,582	623,571
Federal sources	93,332	104,519	197,851	320,000	320,000	(122,149)
Total revenues	8,500,971	420,282	8,921,253	9,240,693	9,240,693	(319,440)
Expenditures/expenses:						
Instruction	4,490,265	-	4,490,265	5,650,000	5,650,000	1,159,735
Support services	2,234,251	7,922	2,242,173	2,816,000	2,816,000	573,827
Non-instructional	-	417,812	417,812	512,000	512,000	94,188
Other expenditures	3,953,322	-	3,953,322	2,807,468	4,000,000	46,678
Total expenditures/expenses	10,677,838	425,734	11,103,572	11,785,468	12,978,000	1,874,428
Deficiency of revenues under expenditures/expenses	(2,176,867)	(5,452)	(2,182,319)	(2,544,775)	(3,737,307)	1,554,988
Other financing uses, net	41,666	-	41,666	-	-	41,666
Deficiency of revenues and other financing sources under expenditures/expenses	(2,135,201)	(5,452)	(2,140,653)	(2,544,775)	(3,737,307)	1,596,654
Balance beginning of year	6,014,300	169,859	6,184,159	4,544,791	4,544,791	1,639,368
Balance end of year	\$ 3,879,099	164,407	4,043,506	2,000,016	807,484	3,236,022

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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 two budget amendments, increasing budgeted expenditures by \$1,192,532.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 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%
2014	July 1, 2012	-	317,231	317,231	0.0%	3,308,747	9.6%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 63,709	199,479	263,188
Receivables:			
Property tax:			
Delinquent	-	1,321	1,321
Succeeding year	-	300,000	300,000
Accounts	2,822	-	2,822
Total assets	<u>\$ 66,531</u>	<u>500,800</u>	<u>567,331</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	300,000	300,000
Fund balances:			
Restricted for:			
Management levy purposes	-	200,800	200,800
Student activities	66,531	-	66,531
Total fund balances	<u>66,531</u>	<u>200,800</u>	<u>267,331</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,531</u>	<u>500,800</u>	<u>567,331</u>

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, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	249,889	249,889
Other	223,847	6,892	230,739
State sources	-	85	85
Total revenues	<u>223,847</u>	<u>256,866</u>	<u>480,713</u>
Expenditures:			
Current:			
Instruction:			
Other	226,350	-	226,350
Support services:			
Operation and maintenance of plant	-	101,113	101,113
Transportation	-	11,341	11,341
Total expenditures	<u>226,350</u>	<u>112,454</u>	<u>338,804</u>
Excess (Deficiency) of revenues over (under) expenditures	(2,503)	144,412	141,909
Fund balance beginning of year	69,034	56,388	125,422
Fund balance end of year	<u>\$ 66,531</u>	<u>200,800</u>	<u>267,331</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 847,952	229,686	1,077,638
Receivables:			
Property tax:			
Delinquent	-	360	360
Succeeding year	-	71,356	71,356
Due from other governments	82,646	-	82,646
Total assets	\$ 930,598	301,402	1,232,000
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	71,356	71,356
Fund balances:			
Restricted for:			
School infrastructure	930,598	-	930,598
Physical plant and equipment	-	230,046	230,046
Total fund balances	930,598	230,046	1,160,644
Total liabilities, deferred inflows of resources and fund balances	\$ 930,598	301,402	1,232,000

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, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	68,067	68,067
Other	190	-	190
State sources	518,664	23	518,687
Total revenues	<u>518,854</u>	<u>68,090</u>	<u>586,944</u>
Expenditures:			
Support services:			
Instructional staff	16,174	-	16,174
Administration services	1,000	-	1,000
Capital outlay	2,818,957	31,359	2,850,316
Total expenditures	<u>2,836,131</u>	<u>31,359</u>	<u>2,867,490</u>
Excess (Deficiency) of revenues over (under) expenditures	(2,317,277)	36,731	(2,280,546)
Other financing uses:			
Transfer out	(65,111)	-	(65,111)
Change in fund balances	(2,382,388)	36,731	(2,345,657)
Fund balance beginning of year	3,312,986	193,315	3,506,301
Fund balance end of year	<u>\$ 930,598</u>	<u>230,046</u>	<u>1,160,644</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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ -	32	-	32
Drama/Speech	10	20	20	10
Instrumental	10	1,991	1,991	10
Vocal	10	6,015	6,015	10
Ticket	-	7,298	7,298	-
Basketball	2,140	43,130	43,020	2,250
Football	2,000	20,498	19,998	2,500
Baseball/Softball	366	20,838	19,837	1,367
Track	70	16,290	16,016	344
Golf	750	250	-	1,000
Wresting	1,000	2,482	2,732	750
Volleyball	1,500	7,942	8,442	1,000
Soccer	-	17,001	15,465	1,536
Weight Room	500	-	-	500
Jr - Sr High	844	1,731	1,711	864
Class of 2013	1,142	-	1,142	-
Class of 2014	2,903	293	2,102	1,094
Class of 2015	-	11,186	9,472	1,714
Class of 2016	-	-	-	-
Student Council	1,043	5,005	5,177	871
Uniforms	1,211	1,600	765	2,046
National Honor Society	-	854	-	854
Book Club	1,298	-	-	1,298
Cheerleaders	9,451	16,782	18,869	7,364
I-T Club	200	-	-	200
Business Club	3,669	1,000	325	4,344
Academic Team	243	-	143	100
Hall of fame	1,637	-	-	1,637
Elementary (Student Leader)	21,113	7,054	9,326	18,841
Elementary Student Council	1,308	1,553	1,165	1,696
Junior High Leadership	1,199	2,522	2,891	830
Assemblies	-	-	-	-
Yearbook	8,856	10,811	11,461	8,206
Drill Team	2,414	13,114	13,603	1,925
Fund Balance	-	3,978	3,916	62
Middle School Student Council	484	1,577	1,160	901
Capital Improvements	375	-	-	375
IGHSAU Scholarships	1,000	1,000	2,000	-
Miscellaneous Activities	288	-	288	-
Total	\$ 69,034	223,847	226,350	66,531

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,174,156	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
Tuition	1,443,415	1,398,091	1,288,905	1,139,698	1,008,067	913,734	830,325	762,074	726,360	598,465
Other	320,776	328,071	319,442	291,029	299,132	326,872	460,214	290,073	260,551	271,575
State sources	3,469,292	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
Federal sources	93,332	108,793	196,359	153,843	455,249	67,240	61,317	77,328	81,748	115,777
Total	\$ 8,500,971	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
Expenditures:										
Instruction:										
Regular	\$ 3,346,343	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
Special	488,882	399,230	477,587	411,932	413,797	463,031	321,325	337,545	284,127	241,717
Other	655,040	613,588	561,401	579,683	539,353	522,429	498,299	423,344	410,782	362,745
Support services:										
Student	176,036	176,042	186,007	180,439	175,816	115,192	161,504	93,121	89,597	85,197
Instructional staff	227,966	374,390	368,138	199,494	137,260	157,618	139,872	141,035	122,009	113,293
Administration	758,405	685,523	572,908	511,693	485,321	489,386	461,938	466,336	424,463	397,420
Operation and maintenance										
of plant	727,245	619,016	595,352	592,834	575,408	613,921	538,937	505,544	485,050	391,884
Transportation	344,599	512,873	350,004	358,764	317,801	278,772	286,897	229,251	218,758	200,794
Central support	-	-	-	-	-	-	-	-	-	59,216
Non-instructional programs	-	455	8,637	-	-	-	161	3,936	15,388	-
Capital outlay	2,850,316	2,505,359	384,692	221,251	250,775	1,280,496	3,651,565	448,353	188,977	1,250,078
Long-term debt:										
Principal	605,000	545,000	1,845,000	475,000	455,000	440,000	420,000	400,000	520,000	360,000
Interest and fiscal charges	263,418	211,195	265,593	290,621	317,640	337,250	338,434	252,160	231,407	236,071
Other expenditures:										
AEA flow-through	234,588	227,171	222,317	240,511	230,471	207,225	194,933	173,779	157,752	151,671
Total	\$ 10,677,838	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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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
Treyvor 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 Treyvor Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treyvor 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 Treyvor Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Treyvor 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a 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-14 and I-C-14 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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 16, 2015
Newton, Iowa

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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) 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-14 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.

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

Response - The District has implemented procedures for the use and reconciliation of pre-numbered tickets during all events that require admission, and is continually working to improve these procedures.

Conclusion - Response accepted.

- I-C-14 Nutrition Fund - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The District continually works to address negative accounts via letters and phone calls.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted.

II-B-14 Questionable Disbursements - We noted Student Activity Fund expenditures for incentive prizes given to students during the Drill Team Jewelry Fundraiser. Prizes given to students for these purposes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will no longer purchase incentive prizes and will thoroughly monitor accounts to ensure they are not being purchased.

Conclusion - Response accepted.

II-C-14 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-14 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	\$50
Mike Travis, Teacher Owner of Travis Turf	Purchased services	\$9,270

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-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-14 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 3,312,986
Revenues:		
Sales tax revenues	\$ 518,664	
Other local revenues	190	518,854
		3,831,840
Expenditures/transfer out:		
School infrastructure construction	2,688,810	
Equipment	21,846	
Other	125,475	
Transfer to another fund:		
Debt service fund	65,111	2,901,242
		2,901,242
Ending balance		\$ 930,598

For the year ended June 30, 2014, 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-14 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

Commissions: During our audit we noted that picture commissions from Plyes Pictures were being receipted into the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund excepted for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Plyes picture commissions should be receipted into the General Fund.

Response - All picture commissions are now being deposited into the General Fund.

Conclusion - Response accepted.