

TREYNOR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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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

Jerry Hempel	President	2015
Randall Young	Vice President	2015
David Paulsen	Board Member (Resigned May 2015)	2015
Gary Funkhouser	Board Member	2017
Erica Schnepel	Board Member	2017
Sally Myers	Board Member (Appointed May 2015)	2015

School Officials

Kevin Elwood	Superintendent	2015
Karli North	Board Secretary/ District Treasurer	2015
Smith Peterson	Attorney	2015

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Treynor Community School District, Treynor Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Treynor Community School District as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Treynor Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 50 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 eight years ended June 30, 2014 (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 year ended June 30, 2006 (none of which are presented herein) and expressed an unmodified opinion on those financial statements. The 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 February 17, 2016 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 in considering Treynor Community School District's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 17, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,671,754 in fiscal 2014 to \$6,855,149 in fiscal 2015, and General Fund expenditures increased from \$6,603,126 in fiscal 2014 to \$7,084,942 in fiscal 2015. The District's General Fund balance decreased from \$2,105,247 at June 30, 2014 to \$1,875,454 at June 30, 2015, a 10.92% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition revenues received in fiscal 2015 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 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, the District's proportionate share of the net pension liability and related contributions, 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-1
Treynor Community School District Annual Financial Report

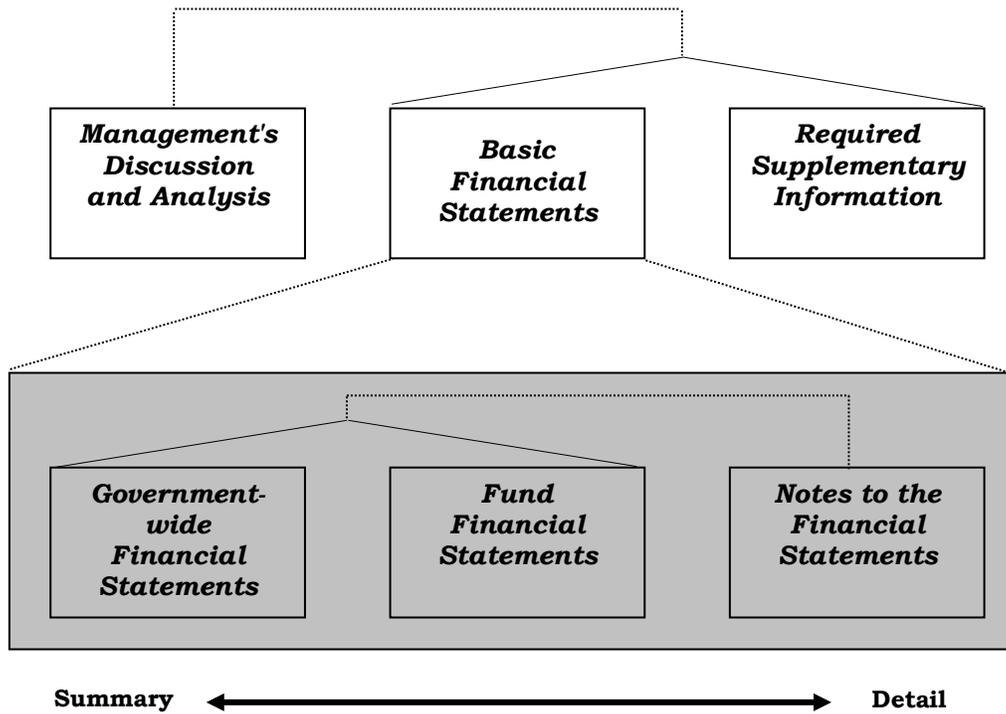


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
Current and other assets	\$ 8,217,751	7,730,338	85,542	83,646	8,303,293	7,813,984	6.26%
Capital assets	14,785,643	15,270,526	91,568	111,951	14,877,211	15,382,477	-3.28%
Total assets	23,003,394	23,000,864	177,110	195,597	23,180,504	23,196,461	-0.07%
Deferred outflows of resources	472,291	-	18,820	-	491,111	-	100.00%
Long-term obligations	11,778,657	10,208,558	87,670	2,390	11,866,327	10,210,948	16.21%
Other liabilities	892,721	716,090	28,873	28,800	921,594	744,890	23.72%
Total liabilities	12,671,378	10,924,648	116,543	31,190	12,787,921	10,955,838	16.72%
Deferred inflows of resources	3,914,890	3,064,768	32,733	-	3,947,623	3,064,768	28.81%
Net position:							
Net investment in capital assets	5,450,643	5,225,526	91,568	111,951	5,542,211	5,337,477	3.84%
Restricted	2,421,029	1,849,050	-	-	2,421,029	1,849,050	30.93%
Unrestricted	(982,255)	1,936,872	(44,914)	52,456	(1,027,169)	1,989,328	-151.63%
Total net position	\$ 6,889,417	9,011,448	46,654	164,407	6,936,071	9,175,855	-24.41%

The District's combined net position decreased by \$2,239,784 or by 24.41%, from 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 \$571,979, or 30.93% from the prior year. The increase in restricted net position was mainly attributable to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax 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 - decreased \$3,016,497, or 151.63%. This decrease in unrestricted net position was primarily a result the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,821,195 and \$106,571, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business type Activities		Total District	Total Change	
	2014	2014	2014	2014	2014	2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 1,907,040	1,727,655	324,577	309,088	2,231,617	2,036,743	9.57%
Operating grants, contributions and restricted interest	402,100	350,164	103,874	108,380	505,974	458,544	10.34%
General revenues:							
Property tax	3,063,341	3,006,803	-	-	3,063,341	3,006,803	1.88%
Income surtax	196,163	171,917	-	-	196,163	171,917	14.10%
Statewide sales, services and use tax	552,068	518,664	-	-	552,068	518,664	6.44%
Unrestricted state grants	2,632,592	2,695,486	-	-	2,632,592	2,695,486	-2.33%
Unrestricted investment earnings	430	421	9	9	439	430	2.09%
Other	54,804	34,425	2,922	2,805	57,726	37,230	55.05%
Total revenues	8,808,538	8,505,535	431,382	420,282	9,239,920	8,925,817	3.52%
Program expenses:							
Instruction	4,737,645	4,676,939	-	-	4,737,645	4,676,939	1.30%
Support services	2,257,638	2,442,276	6,141	7,922	2,263,779	2,450,198	-7.61%
Non-instructional programs	-	-	436,423	417,812	436,423	417,812	4.45%
Other expenditures	1,114,091	1,129,303	-	-	1,114,091	1,129,303	-1.35%
Total expenses	8,109,374	8,248,518	442,564	425,734	8,551,938	8,674,252	-1.41%
Change in net position	699,164	257,017	(11,182)	(5,452)	687,982	251,565	173.48%
Net position beginning of year, as restated	6,190,253	8,754,431	57,836	169,859	6,248,089	8,924,290	-29.99%
Net position end of year	\$ 6,889,417	9,011,448	46,654	164,407	6,936,071	9,175,855	-24.41%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 73.16% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.32% of the revenue from business type activities.

The District's total revenues were approximately \$9.24 million of which approximately \$8.81 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.52% increase in revenues and a 1.41% decrease in expenses. The increase in revenues is related to an increase in charges for services by \$194,874 over the prior year, while the decrease in expenses is attributable to a decrease in the support services functional area.

Governmental Activities

Revenues for governmental activities were \$8,808,538 and expenses were \$8,109,374 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 4,737,645	4,676,939	1.30%	2,670,625	2,849,049	-6.26%
Support services	2,257,638	2,442,276	-7.56%	2,252,895	2,426,935	-7.17%
Other expenses	1,114,091	1,129,303	-1.35%	876,714	894,715	-2.01%
Totals	\$ 8,109,374	8,248,518	-1.69%	5,800,234	6,170,699	-6.00%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,907,040.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$402,100.
- The net cost of governmental activities was financed with \$3,063,341 in property tax, \$196,163 in income surtax, \$552,068 in statewide sales, services and use tax, \$2,632,592 in unrestricted state grants, \$430 in interest income, and \$54,804 in other general revenues.

Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, were \$431,382 and expenses were \$442,564. 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, investment income and other general revenues.

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 \$4,183,552, compared to last year's ending fund balance of

\$3,879,099. The primary reason for the increase in combined fund balances in fiscal 2015 was due to the increase in the fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,105,247 at June 30, 2014 to \$1,875,454 at June 30, 2015. The decrease was due to the increase of instruction and transportation expenses incurred as compared to the prior year.
- The Capital Projects Fund balance increased from \$1,160,644 at June 30, 2014 to \$1,526,040 at June 30, 2015. The increase in fund balance is attributable to an increase in state source revenue received and a decrease in capital outlay expenditures incurred compared to the prior year.
- The Debt Service Fund balance increased from \$345,877 at June 30, 2014 to \$347,076 at June 30, 2015. The increase was due to an increase in local tax revenue received compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$57,836 at July 1, 2014 to \$46,654 at June 30, 2015, representing a decrease of 19.33%. An increase in salary and supply expenses incurred as compared to the prior year was the primary reason for the decrease in net position.

BUDGETARY HIGHLIGHTS

Over the course of the year, Treynor Community School District amended its budget one time to reflect additional expenditures associated with excess special education costs.

The District's revenues were \$101,996 more than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving more in state 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$14.88 million, 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 \$727,663.

The original cost of the District's capital assets was approximately \$22.54 million. Governmental funds account for approximately \$22.26 million with the remainder of approximately \$0.28 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$10,095,157 reported at June 30, 2014 compared to \$9,770,876 at June 30, 2015. This decrease is primarily due to annual depreciation expense incurred by the District during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 548,543	548,543	-	-	548,543	548,543	0.00%
Buildings	9,770,876	10,095,157	-	-	9,770,876	10,095,157	-3.32%
Land improvements	3,925,750	4,152,008	-	-	3,925,750	4,152,008	-5.76%
Machinery and equipment	540,474	474,818	91,568	111,951	632,042	586,769	7.16%
Total	\$ 14,785,643	15,270,526	91,568	111,951	14,877,211	15,382,477	-3.28%

Long-Term Debt

At June 30, 2015, the District had \$11,866,327 in other long-term debt outstanding. This represents an increase of 16.21% 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 \$4,935,000 at June 30, 2015, payable from the Debt Service Fund.

The District had total outstanding revenue bonded indebtedness of \$4,400,000 at June 30, 2015, payable from Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding net pension liability at June 30, 2015 of \$2,328,144. Governmental activities account for \$2,243,400 of this total while business type activities account for \$84,744.

The District had outstanding net OPEB liability of \$203,183 at June 30, 2015. Governmental activities account for \$200,257 of this total while business type activities account for \$2,926.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
General obligation bonds	\$ 4,935,000	5,545,000	-	-	4,935,000	5,545,000	-11.00%
Revenue bonds	4,400,000	4,500,000	-	-	4,400,000	4,500,000	-2.22%
Net pension liability	2,243,400	-	84,744	-	2,328,144	-	100.00%
Net OPEB liability	200,257	163,558	2,926	2,390	203,183	165,948	22.44%
Total	\$ 11,778,657	10,208,558	87,670	2,390	11,866,327	10,210,948	16.21%

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.
- Increases in Special Education enrollment and spending authority are an area of concern.

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, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,668,171	79,247	4,747,418
Receivables:			
Property tax:			
Delinquent	12,903	-	12,903
Succeeding year	3,048,355	-	3,048,355
Income surtax	167,366	-	167,366
Due from other governments	320,956	-	320,956
Inventories	-	6,295	6,295
Capital assets, net of accumulated depreciation	14,785,643	91,568	14,877,211
Total assets	23,003,394	177,110	23,180,504
Deferred Outflows of Resources			
Pension related deferred outflows	472,291	18,820	491,111
Liabilities			
Accounts payable	196,674	-	196,674
Salaries and benefits payable	621,804	21,980	643,784
Accrued interest payable	74,243	-	74,243
Unearned revenue	-	6,893	6,893
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	365,000	-	365,000
Revenue bonds payable	250,000	-	250,000
Portion due after one year:			
General obligation bonds payable	4,570,000	-	4,570,000
Revenue bonds payable	4,150,000	-	4,150,000
Net pension liability	2,243,400	84,744	2,328,144
Net OPEB liability	200,257	2,926	203,183
Total liabilities	12,671,378	116,543	12,787,921
Deferred Inflows of Resources			
Unavailable property tax revenues	3,048,355	-	3,048,355
Pension related deferred inflows	866,535	32,733	899,268
Total deferred inflows of resources	3,914,890	32,733	3,947,623
Net Position			
Net investment in capital assets	5,450,643	91,568	5,542,211
Restricted for:			
Categorical funding	187,174	-	187,174
Debt service	272,833	-	272,833
Management levy purposes	386,200	-	386,200
Student activities	48,782	-	48,782
School infrastructure	1,234,472	-	1,234,472
Physical plant and equipment	291,568	-	291,568
Unrestricted	(982,255)	(44,914)	(1,027,169)
Total net position	\$ 6,889,417	46,654	6,936,071

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	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	\$ 3,308,473	1,536,725	13,052	(1,758,696)	-	(1,758,696)
Special	687,712	109,209	66,891	(511,612)	-	(511,612)
Other	741,460	261,106	80,037	(400,317)	-	(400,317)
	<u>4,737,645</u>	<u>1,907,040</u>	<u>159,980</u>	<u>(2,670,625)</u>	<u>-</u>	<u>(2,670,625)</u>
Support services:						
Student	165,593	-	-	(165,593)	-	(165,593)
Instructional staff	211,312	-	2,600	(208,712)	-	(208,712)
Administration	766,787	-	-	(766,787)	-	(766,787)
Operation and maintenance of plant	703,252	-	-	(703,252)	-	(703,252)
Transportation	410,694	-	2,143	(408,551)	-	(408,551)
	<u>2,257,638</u>	<u>-</u>	<u>4,743</u>	<u>(2,252,895)</u>	<u>-</u>	<u>(2,252,895)</u>
Long-term debt interest	280,463	-	-	(280,463)	-	(280,463)
Other expenditures:						
AEA flowthrough	237,377	-	237,377	-	-	-
Depreciation(unallocated)*	596,251	-	-	(596,251)	-	(596,251)
	<u>833,628</u>	<u>-</u>	<u>237,377</u>	<u>(596,251)</u>	<u>-</u>	<u>(596,251)</u>
Total governmental activities	<u>8,109,374</u>	<u>1,907,040</u>	<u>402,100</u>	<u>(5,800,234)</u>	<u>-</u>	<u>(5,800,234)</u>
Business type activities:						
Support services:						
Instructional staff	6,141	-	-	-	(6,141)	(6,141)
Non-instructional programs:						
Food service operations	436,423	324,577	103,874	-	(7,972)	(7,972)
Total business type activities	<u>442,564</u>	<u>324,577</u>	<u>103,874</u>	<u>-</u>	<u>(14,113)</u>	<u>(14,113)</u>
Total	<u>\$ 8,551,938</u>	<u>2,231,617</u>	<u>505,974</u>	<u>(5,800,234)</u>	<u>(14,113)</u>	<u>(5,814,347)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,185,861	-	2,185,861
Debt service				806,157	-	806,157
Capital outlay				71,323	-	71,323
Income surtax				196,163	-	196,163
Statewide sales, services and use tax				552,068	-	552,068
Unrestricted state grants				2,632,592	-	2,632,592
Unrestricted investment earnings				430	9	439
Other				54,804	2,922	57,726
Total general revenues				<u>6,499,398</u>	<u>2,931</u>	<u>6,502,329</u>
Change in net position				699,164	(11,182)	687,982
Net position beginning of year, as restated				6,190,253	57,836	6,248,089
Net position end of year				<u>\$ 6,889,417</u>	<u>46,654</u>	<u>6,936,071</u>

* 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, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 2,450,375	1,440,397	343,680	433,719	4,668,171
Receivables:					
Property tax:					
Delinquent	7,944	300	3,396	1,263	12,903
Succeeding year	1,915,302	74,040	809,014	249,999	3,048,355
Income surtax	167,366	-	-	-	167,366
Due from other governments	235,613	85,343	-	-	320,956
Total assets	\$ 4,776,600	1,600,080	1,156,090	684,981	8,217,751
Liabilities, Deferred Infows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 196,674	-	-	-	196,674
Salaries and benefits payable	621,804	-	-	-	621,804
Total liabilities	818,478	-	-	-	818,478
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,915,302	74,040	809,014	249,999	3,048,355
Income surtax	167,366	-	-	-	167,366
Total deferred inflows of resources	2,082,668	74,040	809,014	249,999	3,215,721
Fund balances:					
Restricted for:					
Categorical funding	187,174	-	-	-	187,174
Debt service	-	-	347,076	-	347,076
Management levy purposes	-	-	-	386,200	386,200
Student activities	-	-	-	48,782	48,782
School infrastructure	-	1,234,472	-	-	1,234,472
Physical plant and equipment	-	291,568	-	-	291,568
Unassigned	1,688,280	-	-	-	1,688,280
Total fund balances	1,875,454	1,526,040	347,076	434,982	4,183,552
Total liabilities, deferred infows of resources and fund balances	\$ 4,776,600	1,600,080	1,156,090	684,981	8,217,751

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, 2015

Total fund balances of governmental funds(page 20)	\$	4,183,552
 <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 the governmental funds.		14,785,643
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.		(74,243)
Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		167,366
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 472,291	
Deferred inflows of resources	<u>(866,535)</u>	(394,244)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other postemployment benefits payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(11,778,657)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,889,417</u></u>

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,060,638	71,323	806,157	299,860	3,237,978
Tuition	1,587,309	-	-	-	1,587,309
Other	106,706	175	-	268,084	374,965
State sources	2,877,700	552,207	1,574	586	3,432,067
Federal sources	154,693	-	-	-	154,693
Total revenues	6,787,046	623,705	807,731	568,530	8,787,012
Expenditures:					
Current:					
Instruction:					
Regular	3,374,292	9,940	-	-	3,384,232
Special	704,225	-	-	-	704,225
Other	462,285	-	-	278,855	741,140
	4,540,802	9,940	-	278,855	4,829,597
Support services:					
Student	174,152	-	-	-	174,152
Instructional staff	249,745	-	-	-	249,745
Administration	787,402	2,000	-	-	789,402
Operation and maintenance of plant	598,916	-	-	108,669	707,585
Transportation	496,548	-	-	13,355	509,903
	2,306,763	2,000	-	122,024	2,430,787
Capital outlay	-	61,222	-	-	61,222
Long-term debt:					
Principal	-	-	710,000	-	710,000
Interest and fiscal charges	-	-	281,679	-	281,679
	-	-	991,679	-	991,679
Other expenditures:					
AEA flowthrough	237,377	-	-	-	237,377
Total expenditures	7,084,942	73,162	991,679	400,879	8,550,662
Excess(Deficiency) of revenues over(under) expenditures	(297,896)	550,543	(183,948)	167,651	236,350
Other financing sources (uses):					
Transfer in	-	-	185,147	-	185,147
Transfer out	-	(185,147)	-	-	(185,147)
Insurance proceeds	68,103	-	-	-	68,103
Total other financing sources(uses)	68,103	(185,147)	185,147	-	68,103
Change in fund balances	(229,793)	365,396	1,199	167,651	304,453
Fund balances beginning of year	2,105,247	1,160,644	345,877	267,331	3,879,099
Fund balances end of year	\$ 1,875,454	1,526,040	347,076	434,982	4,183,552

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, 2015

Change in fund balances - total governmental funds(page 22) \$ 304,453

*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 in the current year are as follows:

Capital outlay expenditures	\$ 222,397	
Depreciation expense	<u>(707,280)</u>	(484,883)

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. 710,000

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 21,526

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,216

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 348,904

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:

Pension expense	(165,353)	
Other postemployment benefits	<u>(36,699)</u>	<u>(202,052)</u>

Change in net position of governmental activities(page 19) \$ 699,164

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise School Nutrition
Assets	
Cash and pooled investments	\$ 79,247
Inventories	6,295
Capital assets, net of accumulated depreciation	91,568
Total assets	177,110
Deferred Outflows of Resources	
Pension related deferred outflows	18,820
Liabilities	
Current liabilities:	
Salaries and benefits payable	21,980
Unearned revenue	6,893
Total current liabilities	28,873
Noncurrent liabilities:	
Net pension liability	84,744
Net OPEB liability	2,926
Total noncurrent liabilities	87,670
Total liabilities	116,543
Deferred Inflows of Resources	
Pension related deferred inflows	32,733
Net Position	
Net investment in capital assets	91,568
Unrestricted	(44,914)
Total net position	\$ 46,654

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, 2015

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 324,577
Miscellaneous	2,922
Total operating revenues	327,499
 Operating expenses:	
Support services:	
Instructional staff:	
Services	6,141
 Non-instructional programs:	
Food service operations:	
Salaries	156,886
Benefits	29,504
Services	5,148
Supplies	224,032
Depreciation	20,383
Other	470
	436,423
Total operating expenses	442,564
 Operating loss	(115,065)
 Non-operating revenues:	
State sources	3,699
Federal sources	100,175
Interest income	9
Total non-operating revenues	103,883
 Change in net position	(11,182)
 Net position beginning of year, as restated	57,836
 Net position end of year	\$ 46,654

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 324,303
Cash received from miscellaneous sources	2,922
Cash payments to employees for services	(192,928)
Cash payments to suppliers for goods or services	(204,807)
Net cash used by operating activities	(70,510)
Cash flows from non-capital financing activities:	
State grants received	3,699
Federal grants received	68,614
Net cash provided by non-capital financing activities	72,313
Cash flows from investing activities:	
Interest on investments	9
Net increase in cash and cash equivalents	1,812
Cash and cash equivalents at beginning of year	77,435
Cash and cash equivalents at end of year	\$ 79,247
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (115,065)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	31,561
Depreciation	20,383
Increase in inventories	(577)
Decrease in accounts receivable	493
Increase in salaries and benefits payable	840
Increase in other postemployment benefits	536
Decrease in net pension liability	(34,313)
Increase in deferred outflows of resources	(6,334)
Increase in deferred inflows of resources	32,733
Decrease in deferred revenue	(767)
Net cash used by operating activities	\$ (70,510)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received Federal commodities valued at \$31,561.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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 predominately 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 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 service.

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 the following categories:

Net investment in capital assets of capital assets, net of accumulated depreciation 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 - assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from

IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the other expenditures functional area.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$85 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
Debt Service	Statewide Sales, Services, and Use Tax	<u>\$ 185,147</u>

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, 2015 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 548,543	-	-	548,543
Total capital assets not being depreciated	<u>548,543</u>	<u>-</u>	<u>-</u>	<u>548,543</u>
Capital assets being depreciated:				
Buildings	15,206,287	45,712	-	15,251,999
Land improvements	4,809,671	-	-	4,809,671
Machinery and equipment	1,574,451	176,685	98,733	1,652,403
Total capital assets being depreciated	<u>21,590,409</u>	<u>222,397</u>	<u>98,733</u>	<u>21,714,073</u>
Less accumulated depreciation for:				
Buildings	5,111,130	369,993	-	5,481,123
Land improvements	657,663	226,258	-	883,921
Machinery and equipment	1,099,633	111,029	98,733	1,111,929
Total accumulated depreciation	<u>6,868,426</u>	<u>707,280</u>	<u>98,733</u>	<u>7,476,973</u>
Total capital assets being depreciated, net	<u>14,721,983</u>	<u>(484,883)</u>	<u>-</u>	<u>14,237,100</u>
Governmental activities capital assets, net	<u>\$ 15,270,526</u>	<u>(484,883)</u>	<u>-</u>	<u>14,785,643</u>
Business type activities:				
Machinery and equipment	\$ 279,205	-	-	279,205
Less accumulated depreciation	167,254	20,383	-	187,637
Business type activities capital assets, net	<u>\$ 111,951</u>	<u>(20,383)</u>	<u>-</u>	<u>91,568</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,800
Other	14,786
Support services:	
Instructional staff	1,495
Administration	2,319
Operation and maintenance of plant	5,644
Transportation	84,985
	<u>111,029</u>
Unallocated depreciation	<u>596,251</u>
Total governmental activities depreciation expense	<u>\$ 707,280</u>
Business type activities:	
Food service operations	<u>\$ 20,383</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,545,000	-	610,000	4,935,000	365,000
Revenue bonds	4,500,000	-	100,000	4,400,000	250,000
Net pension liability	3,151,740	-	908,340	2,243,400	-
Net OPEB liability	163,558	36,699	-	200,257	-
Total	<u>\$ 13,360,298</u>	<u>36,699</u>	<u>1,618,340</u>	<u>11,778,657</u>	<u>615,000</u>
Business type activities					
Net pension liability	\$ 119,057	-	34,313	84,744	-
Net OPEB liability	2,390	536	-	2,926	-
Total	<u>\$ 121,447</u>	<u>536</u>	<u>34,313</u>	<u>87,670</u>	<u>-</u>

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2007			Bond Issue of April 26, 2012			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
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	3.88	420,000	135,435	-	-	-	420,000	135,435	555,435
2021-2025	3.90-4.00	2,385,000	414,760	-	-	-	2,385,000	414,760	2,799,760
2026-2027	4.00	605,000	26,800	-	-	-	605,000	26,800	631,800
Total		<u>\$ 4,200,000</u>	<u>1,264,995</u>		<u>735,000</u>	<u>11,425</u>	<u>4,935,000</u>	<u>1,276,420</u>	<u>6,211,420</u>

Revenue Bonds Payable

Details of the District’s June 30, 2015 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
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	1.40	265,000	71,522	336,522
2021-2025	1.60-2.10	1,375,000	288,264	1,663,264
2026-2030	2.25-2.80	1,735,000	128,729	1,863,729
Total		\$ 4,400,000	804,518	5,204,518

The District has pledged future statewide sales, services, and use tax revenues to repay the \$4,400,000, 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 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,204,518. For the current year, \$100,000 in principal and \$84,647 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$552,068.

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) Bond Defeasement

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.

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.

The property tax proceeds of the above mentioned levies, 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 \$500,000 in principal of the May 1, 2027 bond payment and corresponding interest when the bonds become callable on May 1, 2017. The \$500,000 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, 2015, \$500,000 of such bonds are outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively. The total savings from these bond refunding's is \$200,000.

As part of the District's fiscal year 2016 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 \$1.11426 per \$1,000 taxable valuation for fiscal year 2016.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$363,063.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,328,144 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was .057526 percent, which was an decrease of .000241 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$171,598. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,302	\$ -
Changes of assumptions	102,746	-
Net difference between projected and actual earnings on pension plan investments	-	887,887
Changes in proportion and differences between District contributions and proportionate share of contributions	-	11,381
District contributions subsequent to the measurement date	363,063	-
Total	\$ 491,111	\$ 899,268

\$363,063 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
June 30,	
2016	\$ (194,713)
2017	(194,713)
2018	(194,713)
2019	(194,713)
2020	7,632
	<u>\$ (771,220)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,398,962	\$ 2,328,144	\$ 580,158

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$43,373 for legally required employer contributions and \$28,899 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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. Retired 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, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 44,960
Interest on net OPEB obligation	4,149
Adjustment to annual required contribution	(8,994)
Annual OPEB cost	<u>40,115</u>
Contributions made	<u>(2,880)</u>
Increase in net OPEB obligation	37,235
Net OPEB obligation beginning of year	<u>165,948</u>
Net OPEB obligation end of year	<u><u>\$ 203,183</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, 2015.

For the ended June 30, 2015, the District contributed \$2,880 to the medical plan.

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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	35,831	8.21%	132,225
2014	36,082	6.54%	165,948
2015	40,115	7.18%	203,183

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$4,007,848 and the ratio of UAAL to covered payroll was 7.9%. As of June 30, 2015 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 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.

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 \$237,377 for the year ended June 30, 2015 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, 2015 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 53,638
Professional development	28,668
Dropout and dropout prevention	55,644
Beginning teacher mentoring and induction	614
Teacher salary supplement	10,999
Successful progression for early readers	30,400
Teacher leadership grants	7,211
Total	<u>\$ 187,174</u>

(12) Deficit Unrestricted Net Position

At June 30, 2015, the District had deficit unrestricted net positions of \$982,255 in its governmental activities, and \$44,914 in its business type activities. The reason for these deficit net positions is due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 during fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity’s financials beginning in fiscal year 2015.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amount budgeted in the other expenditures functional area.

(14) 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)	\$ -	347,076	1,688,280
Capital assets	14,785,643	-	-
General obligation bond proceeds capitalized indebtedness	(4,935,000)	-	-
Revenue bond proceeds capitalized indebtedness	(4,400,000)	-	-
Accrued interest payable	-	(74,243)	-
Income surtax	-	-	167,366
Net pension liability	-	-	(2,243,400)
Pension related outflows of resources	-	-	472,291
Pension related inflows of resources	-	-	(866,535)
Net OPEB liability	-	-	(200,257)
Net position (Exhibit A)	\$ 5,450,643	272,833	(982,255)

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 9,011,448	\$ 164,407
Net pension liability at June 30, 2014	(3,151,740)	(119,057)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	330,545	12,486
Net position July 1, 2014, as restated	<u>\$ 6,190,253</u>	<u>\$ 57,836</u>

Treynor Community School District

REQUIRED SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,200,252	327,508	5,527,760	6,050,493	6,050,493	(522,733)
State sources	3,432,067	3,699	3,435,766	2,907,905	2,907,905	527,861
Federal sources	154,693	100,175	254,868	158,000	158,000	96,868
Total revenues	8,787,012	431,382	9,218,394	9,116,398	9,116,398	101,996
Expenditures/expenses:						
Instruction	4,829,597	-	4,829,597	4,700,000	5,000,000	170,403
Support services	2,430,787	6,141	2,436,928	3,060,000	3,060,000	623,072
Non-instructional	-	436,423	436,423	552,000	552,000	115,577
Other expenditures	1,290,278	-	1,290,278	1,244,332	1,244,332	(45,946)
Total expenditures/expenses	8,550,662	442,564	8,993,226	9,556,332	9,856,332	863,106
Excess(Deficiency) of revenues over(under) expenditures/expenses	236,350	(11,182)	225,168	(439,934)	(739,934)	965,102
Other financing uses, net	68,103	-	68,103	-	-	68,103
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/ expenses	304,453	(11,182)	293,271	(439,934)	(739,934)	1,033,205
Balance beginning of year, as restated	3,879,099	57,836	3,936,935	3,012,252	3,012,252	924,683
Balance end of year	\$ 4,183,552	46,654	4,230,206	2,572,318	2,272,318	1,957,888

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$300,000.

During the year ended June 30, 2015, expenditures exceeded amount budgeted in the other expenditures functional area.

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.057526%
District's proportionate share of the net pension liability	\$ 2,328,144
District's covered-employee payroll	\$ 4,065,656
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.26%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 363,063	343,002	323,926	286,866	233,674	231,192	216,249	186,194	161,410	148,465
Contributions in relation to the statutorily required contribution	(363,063)	(343,002)	(323,926)	(286,866)	(233,674)	(231,192)	(216,249)	(186,194)	(161,410)	(148,465)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,065,655	3,841,008	3,736,171	3,554,721	3,362,216	3,326,504	3,405,496	3,077,587	2,807,130	2,582,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION- PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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	-	316,606	316,606	0.0%	3,181,064	10.0%
2014	July 1, 2012	-	318,279	318,279	0.0%	3,308,747	9.6%
2015	July 1, 2012	-	317,231	317,231	0.0%	4,007,848	7.9%

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

SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 48,782	384,937	433,719
Receivables:			
Property tax:			
Delinquent	-	1,263	1,263
Succeeding year	-	249,999	249,999
Total assets	\$ 48,782	636,199	684,981
Liabilities, Deferred Infows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	249,999	249,999
Fund balances:			
Restricted for:			
Management levy purposes	-	386,200	386,200
Student activities	48,782	-	48,782
Total fund balances	48,782	386,200	434,982
Total Liabilities, Deferred Infows of Resources and Fund Balances	\$ 48,782	636,199	684,981

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, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	299,860	299,860
Other	261,106	6,978	268,084
State sources	-	586	586
Total revenues	<u>261,106</u>	<u>307,424</u>	<u>568,530</u>
Expenditures:			
Current:			
Instruction:			
Other	278,855	-	278,855
Support services:			
Operation and maintenance of plant	-	108,669	108,669
Transportation	-	13,355	13,355
Total expenditures	<u>278,855</u>	<u>122,024</u>	<u>400,879</u>
Excess (Deficiency) of revenues over (under) expenditures	(17,749)	185,400	167,651
Fund balances beginning of year	<u>66,531</u>	<u>200,800</u>	<u>267,331</u>
Fund balances end of year	<u>\$ 48,782</u>	<u>386,200</u>	<u>434,982</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,149,129	291,268	1,440,397
Receivables:			
Property tax:			
Delinquent	-	300	300
Succeeding year	-	74,040	74,040
Due from other governments	85,343	-	85,343
Total Assets	\$ 1,234,472	365,608	1,600,080
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	74,040	74,040
Fund balances:			
Restricted for:			
School infrastructure	1,234,472	-	1,234,472
Physical plant and equipment	-	291,568	291,568
Total fund balances	1,234,472	291,568	1,526,040
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,234,472	365,608	1,600,080

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, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	71,323	71,323
Other	175	-	175
State sources	552,068	139	552,207
Total revenues	<u>552,243</u>	<u>71,462</u>	<u>623,705</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	9,940	9,940
Support services:			
Administration services	2,000	-	2,000
Capital outlay	61,222	-	61,222
Total expenditures	<u>63,222</u>	<u>9,940</u>	<u>73,162</u>
Excess of revenues over expenditures	489,021	61,522	550,543
Other financing uses:			
Transfer out	(185,147)	-	(185,147)
Change in fund balances	303,874	61,522	365,396
Fund balances beginning of year	930,598	230,046	1,160,644
Fund balances end of year	<u>\$ 1,234,472</u>	<u>291,568</u>	<u>1,526,040</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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 9	-	-	9
Drama/Speech	10	1,119	1,119	10
Instrumental	10	20,616	20,616	10
Vocal	10	5,413	5,413	10
Ticket	-	7,898	7,898	-
Basketball	2,250	50,606	51,356	1,500
Football	2,500	21,691	22,691	1,500
Baseball/Softball	1,367	20,163	20,529	1,001
Track	344	18,328	17,671	1,001
Golf	1,022	1,242	1,264	1,000
Wrestling	750	3,995	4,245	500
Volleyball	1,000	12,380	12,630	750
Soccer	1,537	15,427	15,964	1,000
Weight Room	500	7,193	7,193	500
Jr - Sr High	864	1,410	1,820	454
Class of 2014	1,094	-	1,094	-
Class of 2015	1,714	6,144	7,858	-
Class of 2016	-	8,883	6,609	2,274
Student Council	871	5,246	4,448	1,669
Uniforms	2,046	-	521	1,525
National Honor Society	854	-	(107)	961
Book Club	1,298	-	-	1,298
Cheerleaders	7,364	12,625	13,712	6,277
I-T Club	200	-	-	200
Business Club	4,344	1,172	1,756	3,760
Academic Team	100	-	-	100
Hall of fame	1,637	-	-	1,637
Elementary	18,841	10,154	17,636	11,359
Elementary Student Council	1,696	1,176	1,383	1,489
Junior High Leadership	830	2,994	3,824	-
Yearbook	8,206	8,540	11,413	5,333
Drill Team	1,925	15,477	17,122	280
Miscellaneous Activities	437	600	1,020	17
Middle School Student Council	901	614	157	1,358
Total	\$ 66,531	261,106	278,855	48,782

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,237,978	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
Tuition	1,587,309	1,443,415	1,398,091	1,288,905	1,139,698	1,008,067	913,734	830,325	762,074	726,360
Other	374,965	320,776	328,071	319,442	291,029	299,132	326,872	460,214	290,073	260,551
State sources	3,432,067	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
Federal sources	154,693	93,332	108,793	196,359	153,843	455,249	67,240	61,317	77,328	81,748
Total	\$ 8,787,012	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
Expenditures:										
Instruction:										
Regular	\$ 3,384,232	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
Special	704,225	488,882	399,230	477,587	411,932	413,797	463,031	321,325	337,545	284,127
Other	741,140	655,040	613,588	561,401	579,683	539,353	522,429	498,299	423,344	410,782
Support services:										
Student	174,152	176,036	176,042	186,007	180,439	175,816	115,192	161,504	93,121	89,597
Instructional staff	249,745	227,966	374,390	368,138	199,494	137,260	157,618	139,872	141,035	122,009
Administration	789,402	758,405	685,523	572,908	511,693	485,321	489,386	461,938	466,336	424,463
Operation and maintenance of plant	707,585	727,245	619,016	595,352	592,834	575,408	613,921	538,937	505,544	485,050
Transportation	509,903	344,599	512,873	350,004	358,764	317,801	278,772	286,897	229,251	218,758
Non-instructional programs	-	-	455	8,637	-	-	-	161	3,936	15,388
Capital outlay	61,222	2,850,316	2,505,359	384,692	221,251	250,775	1,280,496	3,651,565	448,353	188,977
Long-term debt:										
Principal	710,000	605,000	545,000	1,845,000	475,000	455,000	440,000	420,000	400,000	520,000
Interest and fiscal charges	281,679	263,418	211,195	265,593	290,621	317,640	337,250	338,434	252,160	231,407
Other expenditures:										
AEA flow-through	237,377	234,588	227,171	222,317	240,511	230,471	207,225	194,933	173,779	157,752
Total	\$ 8,550,662	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Treynor Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

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

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

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-15 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.

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, 2015 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.

February 17, 2016
Newton, Iowa

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform one or more functions in each of the following areas for the District.

- 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 continues to work on getting more employees involved in the mailing, purchase orders, and approvals.

Conclusion – Response accepted.

OTHER MATTERS:

I-B-15 Deficit Lunch Account Balances – During our audit we noted that the Nutrition Fund is carrying several deficit student account balances.

Recommendation - The District should develop policies regarding the treatment of negative student lunch account balances aimed at discouraging accounts from becoming negative. The District may also wish to encourage alternatives to bring deficit accounts back to a positive balance, such as trying various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response – The District has policies in place for this issue. These deficits have been on the books for a while. The District has DE approval for what entries need to be made. We will contact our auditors for help on these entries when they come.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 exceeded the amended certified budget amount in the other expenditures functional area.

Recommendation – The District should amend the budget in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceed the budget.

Response – This was for the escrow portion of the District’s debt. This cash has not been spent, but has been reflected as paid in accordance with GASB. We will amend the budget in the future.

Conclusion – Response accepted.

II-B-15 Questionable Disbursements – During our audit we noted the following items as questionable disbursements. More specific examples of those instances of questioned items and recommendations are as follows:

Sales Tax Reimbursements: We noted during our audit that the District reimbursed its employees for items purchased, including sales tax. As the District is a tax-exempt entity, reimbursements for sales tax would not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

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

Response – The District will not reimburse sales tax in the future.

Conclusion – Response accepted.

Prizes: We noted during our audit several purchases of prizes for the Accelerated Reading Program being awarded. 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 be in compliance with the Attorney General’s opinion dated April 25, 1979.

Response – The District will not purchase prizes in the future.

Conclusion – Response accepted.

II-C-15 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-15 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment – We noted enrollment data certified to the Department of Education was understated by 1.0 student for the fall 2014 count date.

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

Response – Our auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion – Response accepted.

- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 930,598
Revenues:		
Sales tax revenues	\$ 552,068	
Other local revenues	175	552,243
		<u>1,482,841</u>
Expenditures/transfer out:		
School infrastructure construction	50,990	
Other	12,232	
Transfer to another fund:		
Debt service fund	185,147	248,369
		<u>248,369</u>
Ending balance		<u><u>\$ 1,234,472</u></u>

For the year ended June 30, 2015, 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-15 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. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

Instructional Purchases: We noted during our audit that donations and expenses for field trips, as a part of the District's regular instruction program, were collected and paid for within the Student Activity Fund.

Recommendation – The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. Field trip costs and donations would appear to be instructional in nature and would be more appropriately handled in the General Fund.

Response – The District will continue to monitor the donations and expenses for field trips and defer these to the General Fund.

Conclusion – Response accepted.

Questionable Accounts: We noted an Elementary account in the Student Activity Fund. The revenues and expenditures related to this account appears to be for instructional items and therefore, would be more appropriately handled in the General Fund.

Recommendation – The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Elementary account appears to be more instructional in nature and would be more appropriate in the General Fund.

Response – The District will review and monitor the accounts to make sure they are viable.

Conclusion – Response accepted.

Inactive Accounts: We noted IT Club, Book Club, and the Hall of Fame accounts within the Student Activity Fund which were not used during the year but are still carrying balances as of the end of the year.

Recommendation – The purpose of the IT Club, Book Club and the Hall of Fame accounts should be reviewed by the District. If the purpose is determined to be inappropriate for the Student Activity Fund the District should move the remaining money to the appropriate account of fund as necessary.

Response – The District will continue to review and monitor the accounts to make sure they are still viable.

Conclusion – Response accepted.

II-N-15 Financial Condition – We noted during our audit that the District had deficit unrestricted net positions of \$982,255 in its governmental activities, and \$44,914 in its business type activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation – The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and No. 71 affect the District’s financials moving forward.

Response – The District will take steps to get a better understanding of the new ruling on GASB 68 and 71.

Conclusion – Response accepted.