

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

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MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	Term Expires
Board of Education		
(Before September 2013 Election)		
Jan Lundahl	President	2013
Amy Horton	Board Member	2013
Brad Funk	Board Member	2015
Pat Evans	Board Member	2015
Jason Peasley	Board Member	2015
(After September 2013 Election)		
Jan Lundahl	President	2017
Brad Funk	Board Member	2015
Pat Evans	Board Member	2015
Jason Peasley	Board Member	2015
Marc Smiarowski	Board Member	2017
School Officials		
Alan Miller	Superintendent	Indefinite
Linda Lovett	District Secretary/Treasurer and Business Manager	Resigned June-14

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report

To the Board of Education of
Mormon Trail Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statement 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 Mormon Trail Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 37 through 40 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions 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 my 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, I have also issued my report dated October 29, 2014 on my consideration of Mormon Trail Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements other matters. The purpose of that report is to describe the scope of my 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 Mormon Trail Community School District's internal control over financial reporting and compliance.

November 3, 2014

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,827,900 in fiscal year 2013 to \$2,764,540 in fiscal year 2014, while General Fund expenditures increased from \$2,889,809 in fiscal year 2013 to \$3,013,001 in fiscal year 2014. The District's General Fund balance decreased from \$563,568 at the end of its fiscal year 2013 to \$315,107 at the end of fiscal year 2014, a 44% decrease.
- General Fund revenues decreased primarily because of decreased property tax receipts. The increase in expenditures was due primarily to an increase in salaries and benefits. Since there was no growth in revenue in fiscal year 2014, the District funded a portion of current year salaries and benefits from the carryover fund balance.
- Continued very low interest rates resulted in interest earnings in the General Fund of only \$768 and \$1,052 for fiscal year 2014 and 2013.

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 Mormon Trail 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 Mormon Trail Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary information provides detailed information about the nonmajor governmental funds.

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 Statements of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has 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 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for 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-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-1							
Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 2,557	\$ 2,920	78	62	2,635	2,982	-11.64%
Capital assets	1,836	1,877	21	22	1,857	1,899	-2.21%
Total assets	4,393	4,797	99	84	4,492	4,881	-7.97%
Long-term liabilities	95	213	-	-	95	213	-55.40%
Other liabilities	360	446	-	1	360	447	-19.46%
Total liabilities	455	659	-	1	455	660	-31.06%
Deferred inflow of resources	1,082	1,280	2	2	1,084	1,282	-15.44%
Net Position:							
Invested in capital assets, net of related debt	1,836	1,736	21	22	1,857	1,758	5.63%
Restricted	901	710	-	-	901	710	26.90%
Unrestricted	119	411	76	59	195	470	-58.51%
Total net position	2,856	2,857	97	81	2,953	2,938	0.51%

The District's net position increased by nearly .5%, or approximately \$15,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external, restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$191,000 over the prior year. The increase was primarily a result of additional revenue in the Capital Projects 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 approximately \$275,000. This decrease in unrestricted net position was a result of the decreased property tax collections and increased salaries and benefits in the General Fund.

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 114	\$ 144	56	55	170	199	-14.57%
Operating grants, contributions and restricted interest	764	650	115	99	879	749	17.36%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,164	1,257	-	-	1,164	1,257	-7.40%
Income surtax	117	108	-	-	117	108	8.33%
Local option sales and service tax	210	209	-	-	210	209	0.48%
Unrestricted intermediate grants	-	3	-	-	-	3	-
Unrestricted state grants	1,020	990	-	-	1,020	990	3.03%
Unrestricted investment earnings	2	1	-	-	2	1	100.00%
Other	-	80	-	-	-	80	-100.00%
Total revenues	3,391	3,442	171	154	3,562	3,596	-0.95%
Program expenses:							
Instruction	2,225	1,989	-	-	2,225	1,989	11.87%
Support services	991	1,047	-	-	991	1,047	-5.35%
Non-instructional programs	-	-	155	151	155	151	2.65%
Other expenses	176	127	-	-	176	127	38.58%
Total expenses	3,392	3,163	155	151	3,547	3,314	7.03%
Increase (decrease) in net position	(1)	279	16	3	15	282	-94.68%
Net position beginning of year, as related	2,857	2,578	81	78	2,938	2,656	10.62%
Change in net position	2,856	2,857	97	81	2,953	2,938	0.51%

In fiscal year 2014, property tax and unrestricted state grants accounted for 65% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$3.562 million, of which approximately \$3.391 million was for governmental activities and \$171,000 was for business type activities.

As show in Figure A-2, the District as a whole experienced a 1% decrease in revenues and a 7% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$3,562,160 and expenses were \$3,547,730 for the year ended June 30, 2014. The District was able to balance the budget because of increased revenue in the Capital Projects Fund.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$2,225	\$1,989	11.87%	1,482	1,297	14.26%
Support services	991	1,047	-5.35%	991	1,047	-5.35%
Non-instruction	-	-	-	-	-	-
Other expenses	176	127	38.58%	41	26	57.69%
Total	3,392	3,163	7.24%	2,514	2,370	6.08%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$113,701.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$764,533.
- The net cost of governmental activities was financed with \$1,491,361 in property and other taxes and \$1,019,946 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$170,917 a 11% increase over the prior year, while expenses totaled \$155,296, a 3% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenue of this activity is comprised of charges for for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014 there was growth in the number of meals served, specifically in the breakfast program. Even though the number of meals served increased, the food cost did not increase proportionately. Nutrition personnel emphasized more usage of government commodities and reduction in waste.

INDIVIDUAL FUND ANALYSIS

As previously noted, Mormon Trail 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 balances of \$1,114,905 below last year's ending fund balances of \$1,194,508. The primary reason for the decrease in combined fund balance is due to increased spending in the General Fund for salaries and benefits.

Governmental Fund Highlights

- The District's General fund financial position is the result of many factors. There was a decrease in property tax levy resulting in less property tax collections. There was an increase in salaries and benefits requiring the district to use carryover funds of \$248,000 to meet its financial obligations.
- The Capital Projects Fund balance increased from \$467,308 in fiscal year 2013 to \$592,253 in fiscal year 2014. In fiscal year 2014, there was an increase in revenue while expenditures continued to be less than the revenue collected.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$81,078 at June 30, 2013 to \$96,752 at June 30, 2014, representing an increase of approximately 20%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the district amended its budget one time to reflect additional expenditures for student transportation.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$1.857 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-4) This represents a net increase of 2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$86,229.

The original cost of the District's capital assets was approximately \$3.883 million. Governmental funds account for approximately \$3.836 million, with the remainder of approximately \$47,000 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 16	\$ 16	-	-	16	16	0.00%
Buildings	1,577	1,634	-	-	1,577	1,634	-3.49%
Furniture and equipment	243	227	21	22	264	249	6.02%
Total	1,836	1,877	21	22	1,857	1,899	-2.21%

Long-Term Debt

During 2014, the District paid off \$140,000 in general obligation debt. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The Constitution of the State of Iowa limits the amounts of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.9 million.

	Total District		Total Change
	June 30, 2014	2013	June 30, 2013-2014
GO Bonds	\$0	140,000	-15%

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 which could significantly affect its financial health in the future:

- The District has agreed to purchase adjoining land for \$51,000. There will be additional costs to adapt the property for district use.
- The demand for special education services has increased creating a spending deficit in that area for 2013-2014. Higher costs are anticipated for 2014-2015.
- Enrollment in K-12 is expected to decrease while enrollment in PK continues to increase.
- The District will continue to share administrative and teaching positions with other districts.
- Moving forward the District is dedicated to keeping expenditures in balance with revenues.

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 Peggy Rash, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa 50123.

Basic Financial Statements

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Year ended June 30, 2014

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,233,517	69,813	1,303,330
Receivables:			
Property tax:			
Delinquent	18,597	-	18,597
Succeeding year	1,065,913	-	1,065,913
Income tax succeeding year	16,563	-	16,563
Due from other governments	222,223	3,653	225,876
Inventories	-	4,137	4,137
Capital assets, net of accumulated depreciation	1,836,341	21,220	1,857,561
Total assets	4,393,154	98,823	4,491,977
Liabilities			
Accounts payable	112,711	238	112,949
Salaries and benefits payable	246,721	-	246,721
Accrued interest payable			-
Long-term liabilities:			
Portion due within one year:			
Capital lease	-	-	-
Portion due after one year:			
Capital lease	-	-	-
Net OPEB liability	95,200	-	95,200
Total liabilities	454,632	238	454,870
Deferred Inflows of Resources			
Succeeding year property tax	1,065,913	-	1,065,913
Succeeding year income surtax	16,563	-	16,563
Other	-	1,833	1,833
Total Deferred Inflows of Resources	1,082,476	1,833	1,084,309
Net Position			
Invested in capital assets, net of related debt	1,836,341	21,220	1,857,561
Restricted for:			
Categorical funding	100,666	-	100,666
Debt service	2,207	-	2,207
Management levy	135,607	-	135,607
Student activities	69,731	-	69,731
School infrastructure	577,036	-	577,036
Physical plant and equipment	15,217	-	15,217
Unrestricted	119,241	75,532	194,773
Total net position	2,856,046	96,752	2,952,798

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,611,401	101,145	352,046	-
Special instruction	339,299	10,886	186,810	-
Other instruction	273,955	1,670	90,046	-
	<u>2,224,655</u>	<u>113,701</u>	<u>628,902</u>	<u>-</u>
Support Service:				
Student	30,728	-	-	-
Instructional staff	123,074	-	-	-
Administration	339,155	-	-	-
Operation and maintenance of plant	285,366	-	-	-
Transportation	213,064	-	-	-
	<u>991,387</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	69,102	-	32,049	-
Long-term debt interest	3,708	-	-	-
AEA flowthrough	103,582	-	103,582	-
	<u>176,392</u>	<u>-</u>	<u>135,631</u>	<u>-</u>
Total governmental activities	3,392,434	113,701	764,533	-
Business type activities:				
Non-instructional programs:				
Food service operations	155,296	56,289	114,628	-
	<u>155,296</u>	<u>56,289</u>	<u>114,628</u>	<u>-</u>
Total	<u>\$ 3,547,730</u>	<u>169,990</u>	<u>879,161</u>	<u>-</u>

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business Type Activities	Total
(1,158,210)	-	(1,158,210)
(141,603)	-	(141,603)
(182,239)	-	(182,239)
<u>(1,482,052)</u>	-	<u>(1,482,052)</u>
(30,728)	-	(30,728)
(123,074)	-	(123,074)
(339,155)	-	(339,155)
(285,366)	-	(285,366)
(213,064)	-	(213,064)
<u>(991,387)</u>	-	<u>(991,387)</u>
-	-	-
(37,053)	-	(37,053)
(3,708)	-	(3,708)
-	-	-
<u>(40,761)</u>	-	<u>(40,761)</u>
(2,514,200)	-	(2,514,200)
-	15,621	15,621
	<u>15,621</u>	<u>15,621</u>
<u>(2,514,200)</u>	15,621	<u>(2,498,579)</u>

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Statement of Activities
 Year ended June 30, 2014

	Program Revenues		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Continued from previous page	Expenses		
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Income surtax			
Local option sales and services tax			
Unrestricted intermediate grants			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

See notes to financial statements.

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business Type Activities	Total
1,024,930	-	1,024,930
138,573	-	138,573
117,435	-	117,435
210,423	-	210,423
-	-	-
1,019,946	-	1,019,946
1,649	53	1,702
-	-	-
<u>2,512,956</u>	<u>53</u>	<u>2,513,009</u>
(1,244)	15,674	14,430
<u>2,857,290</u>	<u>81,078</u>	<u>2,938,368</u>
<u>2,856,046</u>	<u>96,752</u>	<u>2,952,798</u>

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 540,960	-	488,485	204,072	1,233,517
Receivables:					
Property tax:					
Current year delinquent	13,560	2,428	1,343	1,266	18,597
Succeeding year	914,043	-	76,870	75,000	1,065,913
Income tax succeeding year	16,563	-	-	-	16,563
Due from other governments	119,798	-	102,425	-	222,223
Total assets	1,604,924	2,428	669,123	280,338	2,556,813
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	112,490	221	-	-	112,711
Salaries and benefits payable	246,721	-	-	-	246,721
Total liabilities	359,211	221	-	-	359,432
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	914,043	-	76,870	75,000	1,065,913
Succeeding year income surtax	16,563	-	-	-	16,563
Total deferred inflows of resources	930,606	-	76,870	75,000	1,082,476
Fund balances:					
Restricted for:					
Categorical funding	100,666	-	-	-	100,666
Debt service	-	2,207	-	-	2,207
Management levy	-	-	-	135,607	135,607
Student activities	-	-	-	69,731	69,731
School infrastructure	-	-	577,036	-	577,036
PPEL	-	-	15,217	-	15,217
Unassigned	214,441	-	-	-	214,441
Total fund balances	315,107	2,207	592,253	205,338	1,114,905
Total liabilities, deferred inflows of resources and fund balances	1,604,924	2,428	669,123	280,338	2,556,813

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2014

Total fund balances of governmental funds (pg. 16)	\$1,114,905
 <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.	1,836,341
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.	-
Long-term liabilities, including bonds payable and other postretirement benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(95,200)
Net position of governmental activities (pg. 11)	<u><u>\$ 2,856,046</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 983,897	143,197	289,607	74,660	1,491,361
Tuition	113,701	-	-	-	113,701
Other	104,872	-	32,824	86,362	224,058
Intermediate	-	-	-	-	-
State sources	1,375,260	-	-	-	1,375,260
Federal sources	186,810	-	-	-	186,810
Total revenues	<u>2,764,540</u>	<u>143,197</u>	<u>322,431</u>	<u>161,022</u>	<u>3,391,190</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,584,180	-	1,382	-	1,585,562
Special instruction	339,299	-	-	-	339,299
Other instruction	154,130	-	41,345	78,480	273,955
	<u>2,077,609</u>	<u>-</u>	<u>42,727</u>	<u>78,480</u>	<u>2,198,816</u>
Support services:					
Student	30,728	-	-	-	30,728
Instructional staff	123,074	-	-	-	123,074
Administration	315,515	-	8,050	15,590	339,155
Operation and maintenance of plant	208,661	-	2,748	18,768	230,177
Transportation	153,832	-	74,859	3,118	231,809
	<u>831,810</u>	<u>-</u>	<u>85,657</u>	<u>37,476</u>	<u>954,943</u>
Non-instructional programs		-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	69,102	-	69,102
Long-term debt:					
Principal	-	140,000	-	-	140,000
Interest and fiscal charges	-	4,350	-	-	4,350
AEA flowthrough	103,582	-	-	-	103,582
	<u>103,582</u>	<u>144,350</u>	<u>69,102</u>	<u>-</u>	<u>317,034</u>
Total expenditures	<u>3,013,001</u>	<u>144,350</u>	<u>197,486</u>	<u>115,956</u>	<u>3,470,793</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(248,461)</u>	<u>(1,153)</u>	<u>124,945</u>	<u>45,066</u>	<u>(79,603)</u>
Other financing sources:					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(248,461)	(1,153)	124,945	45,066	(79,603)
Fund balances beginning of year	563,568	3,360	467,308	160,272	1,194,508
Fund balances end of year	<u>\$ 315,107</u>	<u>2,207</u>	<u>592,253</u>	<u>205,338</u>	<u>1,114,905</u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 Year ended June 30, 2014

Net change in fund balances-total governmental funds (pg. 18) \$ (79,603)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over the estimated useful lives as depreciation expense in the expense in the Statement of Activities. The amounts of Statement of Activities. The amounts of capital outlays and follows:

Capital outlays	41,760	
Depreciation expense	(82,142)	
	(40,382)	(40,382)

Proceeds from issuing long-term liabilities provide current financial resources, but issuing debt increases long-term debt principal is an expenditure in the governmental funds, funds, but the repayment reduces long-term liabilities in the the Statement of Net Position. Current year issues exceeded exceeded repayment, as follows:

Issued	-	
Repaid	140,000	
	140,000	140,000

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

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Other postemployment benefits 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.

(21,901)

Change in net position of governmental activities (pg. 12-15) \$ (1,244)

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Statement of Net Position
 Proprietary Fund
 June 30, 2014

	School Nutrition
Assets	
Cash and cash equivalents	\$ 69,813
Due from other governments	3,653
Inventories	4,137
Capital assets, net of accumulated depreciation	21,220
Total assets	98,823
Liabilities	
Accounts payable	238
Deferred revenue	1,833
Total liabilities	2,071
Net Position	
Invested in capital assets, net of related debt	21,220
Unrestricted	75,532
Total net position	\$ 96,752

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Fund
 Year ended June 30, 2014

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 56,289
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	56,849
Benefits	9,443
Purchased services	11,676
Supplies	73,241
Depreciation	4,087
Total operating expenses	155,296
Operating loss	(99,007)
Non-operating revenues:	
State sources	1,507
Federal sources	113,121
Local sources	53
Total non-operating revenues	114,681
Net income	15,674
Net position beginning of year	81,078
Net position end of year	\$ 96,752

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of meals	\$ 56,539
Cash payments to employees for services	(66,292)
Cash payments to suppliers for goods or services	(77,944)
Net cash used by operating activities	(87,697)
Cash flows from non-capital financing activities:	
State grants received	1,507
Federal grants received	109,952
Net cash provided by non-capital financing activities	111,459
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,075)
Cash flows from investing activities:	
Interest on investments	53
Net increase in cash and cash equivalents	20,740
Cash and cash equivalents at beginning of year	49,073
Cash and cash equivalents at end of year	69,813
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(99,007)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Commodities used	10,673
Depreciation	4,087
Increase in inventory	(2,921)
Decrease in payables	(779)
Increase in deferred revenue	250
Net cash used by operating activities	(87,697)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received federal commodities valued at \$10,673.

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. 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, Mormon Trail 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does 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 Wayne 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 nonfiduciary 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 nonfiduciary 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 consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable 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 are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the 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 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 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 nonmajor 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 revenues 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 expenditures, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

The Enterprise, 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, proprietary and fiduciary 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 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 financial sources.

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

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

Proprietary funds distinguish operating revenues and expenses from 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 accrual basis.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - 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 purpose 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, have a maturity date no longer than three months.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture 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 repair 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
Improvement other than buildings	5,000
Furniture and equipment	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year 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, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

Fund 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 are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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, 2014, expenditures exceeded the amount budgeted in the non-instructional functional area.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligations Portfolio which are valued at an amortized cost of \$66,043 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Capital Assets

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

	Balance beginning of year	Increases	Decreases	Balance end of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$16,220	-	-	16,220
Total capital assets not being depreciated	\$16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,792,819	-	-	2,792,819
Improvements other than buildings	-	-	-	-
Furniture and equipment	1,010,045	41,760	(25,100)	1,026,705
Total capital assets being depreciated	3,802,864	41,760	(25,100)	3,819,524
Less accumulated depreciation for:				
Buildings	1,159,003	56,474	-	1,215,477
Improvements other than buildings	-	-	-	-
Furniture and equipment	783,358	25,668	(25,100)	783,926
	1,942,361	82,142	(25,100)	1,999,403
Total capital assets being depreciated, net	1,860,503	(40,382)	-	1,820,121
Governmental activities capital assets, net	1,876,723	(40,382)	-	1,836,341
Business type activities:				
Furniture and equipment	43,703	3,075	-	46,778
Less accumulated depreciation	21,471	4,087		25,558
	22,232	(1,012)	-	21,220
Depreciation expenses was charged to the following functions:				
Instruction-regular				3,938
Support services:				
Operation and maintenance				72,699
Transportation				5,505
Total depreciation expense - governmental activities				82,142
Business type activities:				
Food service operations				4,087

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$140,000	-	140,000	-	-

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$236,582, \$214,388 and \$195,997, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 21 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirement 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 of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$ 23,000
Interest on net OPEB obligation	3,295
Adjustment to annual required contribution	(4,394)
Annual OPEB cost	<u>21,901</u>
Contributions made-implicit	-
Increase in net OPEB obligation	<u>21,901</u>
Net OPEB obligation beginning of year	<u>73,299</u>
Net OPEB obligation end of year	<u><u>95,200</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$181,145 to the medical plan. Plan members eligible for benefits contributed \$17,594, or 9% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$25,000	-	\$51,000
June 30, 2013	22,299	-	73,299
June 30, 2014	21,901	-	95,200

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$130,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$134,146. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,294,000 and the ratio of the UAAL to covered payroll was 10.4%. As of June 30, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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 benefits provided at the time of each valuation and the historical pattern of sharing 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 unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medial trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$596 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

The 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.

(8) 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 \$103,582 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Prospective Accounting Change

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

(10) Subsequent Event

On April 1, 2014 the District agreed to purchase adjoining property at a cost of \$51,000. The closing and possession of the property was to occur on or before April 30, 2014. The seller of the property has been unable to provide clear title to the property. The District has signed amendments to the purchase agreement extending the closing to December 29, 2014.

Required Supplementary Information

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and
 Changes in Balances - Budget and Actual - All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 1,829,120	56,342
Intermediate sources	-	-
State sources	1,375,260	1,507
Federal sources	186,810	113,121
Total revenues	<u>3,391,190</u>	<u>170,970</u>
Expenditures:		
Instruction	2,198,816	-
Support services	954,943	-
Non-instructional programs	-	155,296
Other expenditures	317,034	-
Total expenditures	<u>3,470,793</u>	<u>155,296</u>
Excess (deficiency) of revenues over (under) expenditures	(79,603)	15,674
Other financing sources	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(79,603)	15,674
Balances beginning of year	<u>1,194,508</u>	<u>81,078</u>
Balances end of year	<u>\$ 1,114,905</u>	<u>96,752</u>

See accompanying independent auditor's report.

Total Actual	Amended Budgeted Amount	Final to Actual Variance
1,885,462	1,510,182	375,280
-	20,000	(20,000)
1,376,767	1,460,103	(83,336)
299,931	242,500	57,431
<u>3,562,160</u>	<u>3,232,785</u>	<u>329,375</u>
2,198,816	2,231,628	(32,812)
954,943	985,000	(30,057)
155,296	155,000	296
317,034	506,717	(189,683)
<u>3,626,089</u>	<u>3,878,345</u>	<u>(252,256)</u>
(63,929)	(645,560)	
-	-	
(63,929)	(645,560)	
<u>1,275,586</u>	<u>1,196,738</u>	
<u><u>1,211,657</u></u>	<u><u>551,178</u></u>	

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons 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 a 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures in the non-instruction function exceeded the amount budgeted.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
2010	July 1, 2009	-	\$280,000	280,000	0.00%	1,108,074	25.26%
2011	July 1, 2009	-	280,000	280,000	0.00%	1,159,495	24.15%
2012	July 1, 2009	-	280,000	280,000	0.00%	1,047,775	26.72%
2013	July 1, 2012	-	130,000	130,000	0.00%	1,183,750	10.98%
2014	July 1, 2012	-	130,000	130,000	0.00%	1,293,603	10.37%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 134,341	69,731	204,072
Receivables:			
Property tax:			
Current year delinquent	1,266	-	1,266
Succeeding year	75,000	-	75,000
Total assets	210,607	69,731	280,338
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	75,000	-	75,000
Total deferred inflows of resources	75,000	-	75,000
Fund Balances:			
Restricted for:			
Management levy purposes	135,607	-	135,607
Student activities	-	69,731	69,731
	135,607	69,731	205,338
Total liabilities, deferred inflows of resources and fund balances	\$ 210,607	69,731	280,338

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 74,660	-	74,660
Other	1,718	84,644	86,362
State sources	-	-	-
Total revenues	<u>76,378</u>	<u>84,644</u>	<u>161,022</u>
Expenditures:			
Current			
Instruction:			
Other	57	78,423	78,480
Support services:			
Administrative support	15,590	-	15,590
Plant operation	18,768	-	18,768
Student transportation	3,118	-	3,118
Other expenditures:			
Facilities acquisition	-	-	-
Total expenditures	<u>37,533</u>	<u>78,423</u>	<u>115,956</u>
Excess of revenues over expenditures	38,845	6,221	45,066
Fund balances beginning of year	<u>96,762</u>	<u>63,510</u>	<u>160,272</u>
Fund balances at end of year	<u>\$ 135,607</u>	<u>69,731</u>	<u>205,338</u>

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2014

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$8,324	26,044	26,361	8,007
Activities Club	1,941	-	-	1,941
Drama/Play	4,033	1,037	1,611	3,459
Cheerleaders	324	-	-	324
FCCLA	1,296	8,319	7,328	2,287
FFA	907	852	1,051	708
JR/SR Incentive	20,198	5,871	6,715	19,354
Elementary Activities	15,053	19,508	18,062	16,499
Class of 2013	474	-	331	143
Class of 2014	3,639	2,637	5,711	565
Class of 2015	5,263	6,308	5,838	5,733
Class of 2016	2,058	8,404	2,790	7,672
Class of 2017	-	5,664	2,625	3,039
Totals	\$ 63,510	84,644	78,423	69,731

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 474,611	\$ 13,874	\$ 488,485
Receivables:			
Property tax:			
Delinquent	-	1,343	1,343
Succeeding year	-	76,870	76,870
Due from other governments	102,425	-	102,425
Total Assets	577,036	92,087	669,123
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	76,870	76,870
Total deferred inflows of resources	-	76,870	76,870
Fund Balances:			
Restricted for:			
School infrastructure	577,036	-	577,036
Physical plant and equipment	-	15,217	15,217
Total fund balances	577,036	15,217	592,253
Total liabilities, deferred inflows of resources and fund balances	577,036	92,087	669,123

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balance
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 210,423	\$ 79,184	\$ 289,607
Other	32,387	437	32,824
Total revenues	<u>242,810</u>	<u>79,621</u>	<u>322,431</u>
Expenditures:			
Instruction:			
Regular	-	1,382	1,382
Other instruction	36,505	4,840	41,345
Support services:			
Administration	-	8,050	8,050
Plant operation	-	2,748	2,748
Student transportation	24,250	50,609	74,859
Other expenditures:			
Facilities acquisition	57,130	11,972	69,102
Total expenditures	<u>117,885</u>	<u>79,601</u>	<u>197,486</u>
Excess of revenue over expenditures	124,925	20	124,945
Fund balances beginning of year	<u>452,111</u>	<u>15,197</u>	<u>467,308</u>
Fund balances end of year	<u><u>577,036</u></u>	<u><u>15,217</u></u>	<u><u>592,253</u></u>

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 1,491,361	\$ 1,573,764	\$ 1,649,916	\$ 1,505,885
Tuition	113,701	143,651	169,985	177,944
Other	224,058	153,115	177,441	149,089
Intermediate sources	-	2,780	8,453	30,621
State sources	1,375,260	1,418,786	1,332,698	1,348,954
Federal sources	186,810	149,443	199,592	274,908
Total	3,391,190	3,441,539	3,538,085	3,487,401
Expenditures:				
Instruction:				
Regular	1,585,562	1,649,197	1,302,281	1,205,125
Special	339,299	234,009	349,498	400,547
Other	273,955	121,357	385,601	454,615
Support services:				
Student	30,728	29,060	25,872	78,470
Instructional staff	123,074	229,255	162,386	143,602
Administration	339,155	309,603	329,444	272,075
Operation and maintenance of plant	230,177	224,174	260,027	243,753
Transportation	231,809	186,219	171,442	172,255
Central support	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	69,102	87,414	220,308	53,065
Long-term debt:				
Principal	140,000	135,000	135,000	135,000
Interest and other charges	4,350	7,523	9,952	11,525
AEA flowthrough	103,582	100,864	99,873	114,933
Total	3,470,793	3,313,675	3,451,684	3,284,965

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
\$ 1,332,550	\$ 1,271,955	\$ 1,245,963	\$ 1,241,798	\$ 1,242,170	\$ 1,242,170
55,858	39,173	56,670	70,019	50,896	50,896
106,105	132,556	175,949	184,842	146,636	146,636
32,787	33,732	22,931	26,421	68,382	68,382
1,387,046	1,494,200	1,656,170	1,464,411	1,533,905	1,533,905
286,210	179,357	114,103	172,366	160,886	160,886
3,200,556	3,150,973	3,271,786	3,159,857	3,202,875	3,202,875
1,109,628	1,152,300	1,205,503	\$ 1,105,545	1,150,088	1,150,088
467,555	491,219	488,687	389,476	460,637	460,637
443,882	465,766	238,906	360,899	174,357	174,357
74,425	81,412	79,573	141,933	146,071	146,071
124,648	182,662	138,762	113,490	58,777	58,777
277,997	268,503	315,970	252,910	280,664	280,664
215,066	272,919	274,443	235,696	212,266	212,266
166,400	183,269	208,698	248,492	179,478	179,478
-	-	-	-	-	-
-	-	1,863	-	653	653
147,771	82,989	-	-	2,260	2,260
799,267	133,300	115,000	105,000	100,000	100,000
23,399	36,532	39,130	48,482	52,783	52,783
116,706	105,371	103,270	92,955	94,462	94,462
3,966,744	3,456,242	3,209,805	3,094,878	2,912,496	2,912,496

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
Humeston, Iowa 50123
641/877-6021

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
Mormon Trail Community School District

I have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 3, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Mormon Trail Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mormon Trail Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 to be a material weakness.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompany Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

Mormon Trail Community School District's Responses to the Findings

Mormon Trail Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. Mormon Trail Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.

November 3, 2014

MORMON TRAIL COMMUNITY SCHOOL DISTRICT
Schedule Findings and Questioned Costs
Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response and Corrective Action Planned - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget -Expenditures for the year ended June 30, 2014 exceeded the certified budget amount in non-instructional functional area.

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

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-14 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employee were noted.

IV-D-14 Business Transactions - Business transactions between the District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Laura Funk, spouse of board member	School Nurse, 10 day contract	\$1,746
Joel Funk, son of board member	Summer custodian	\$1,167

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions appear to represent conflicts of interest.

Recommendation - The Board should contact legal counsel regarding the above related party transactions with a Board member to determine what, if any, corrective action is needed.

Response - So noted.

Conclusion - Response accepted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

IV-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14 Certified Annual Report - The Certified Annual Report was not timely filed with the Iowa Department of Education. There were variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation - The District should contact the Iowa Department of Education to resolve this situation.

Response - The CAR has always been timely filed in prior years. The previous Board Manager retired June 30, 2014 and the current Board Manager was still learning the requirements of the position on September 15, 2014. The CAR was filed with the Department of Education on September 26, 2014.

Conclusion - Response accepted.

IV-K-14 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$452,111
Statewide sales, services and use tax	\$210,423	
Other receipts	<u>32,387</u>	
		242,810
Expenditures		
School infrastructure:		
Buildings	57,130	
Instruction equipment	36,505	
Student transportation	<u>24,250</u>	
		<u>117,885</u>
Ending balance		<u><u>577,036</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-14 Cash Management - In July 2014, there was only one bank deposit made on July 31st. There was documentation of monies received by the District from July 10th thru July 25th.

Recommendation - Deposits should be made on a timely basis as monies are received by the District.

Response - So noted.

Conclusion - Response accepted.

Stephanie Mendenhall, CPA, Humeston, Iowa released an audit report on Mormon Trail Community School District.

The District's revenues totaled \$3,391,190 for the year ended June 30, 2014, a 1.7% decrease from the prior year. Revenues included \$1,491,361 in local tax, charges for service of \$113,701, operating grants, contributions and restricted interest of \$764,533, unrestricted interest of \$1,649 and other revenues of \$1,019,946.

Expenses for District operations totaled \$3,470,793 a 4.8% increase from the prior year. Expenses included \$2,198,816 for instruction, \$954,943 for support services and \$317,034 for other expenditures.

A copy of the audit report is available for review in the District Secretary's office in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

