

MORAVIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

Peak & Co., LLP  
Certified Public Accountants  
1370 NW 114<sup>th</sup> St., Suite 205  
Clive, IA 50325

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		37
Notes to Required Supplementary Information - Budgetary Reporting		38
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	43
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 <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-53

Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<u>Board of Education</u> (Before September, 2008 Election)		
G.E. Luse	President	2008
Chad Martin	Vice-President	2009
Steve Smith	Board Member	2010
Scott Perry	Board Member	2010
John Houser	Board Member	2009

<u>Board of Education</u> (After September, 2008 Election)		
G.E. Luse	President	2011
Chad Martin	Vice-President	2009
Steve Smith	Board Member	2011*
Scott Perry	Board Member	2011*
John Houser	Board Member	2009

<u>School Officials</u>		
Brad Breon	Superintendent	2009
Stacy Moore	District Secretary/Treasurer/ Business Manager	2009
Rick Engel	Attorney	2009

\* Board term extended per the District's transition plan for changing board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa

Moravia Community School District

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CERTIFIED PUBLIC ACCOUNTANTS  
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CLIVE, IA 50325

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(515) 277-3077

Independent Auditor's Report

To the Board of Education of  
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District, Moravia Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2010 on our consideration of Moravia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moravia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP  
Certified Public Accountants

January 11, 2010

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

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Moravia Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,081,069 in fiscal 2008 to \$3,459,070 in fiscal 2009, while General Fund expenditures increased from \$3,253,732 in fiscal 2008 to \$3,487,092 in fiscal 2009. The District's General Fund balance decreased from \$309,726 at the end of fiscal 2008 to \$281,704 at the end of fiscal 2009, a 9% decrease.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal 2008 to fiscal 2009, revenue increased \$378,001. The increase in revenue was not enough to cover the increase in expenses. The result was \$28,022 of salaries and benefits that was funded from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Moravia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Moravia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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.

Other Supplementary Information provides detailed information about the non-major governmental funds.

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

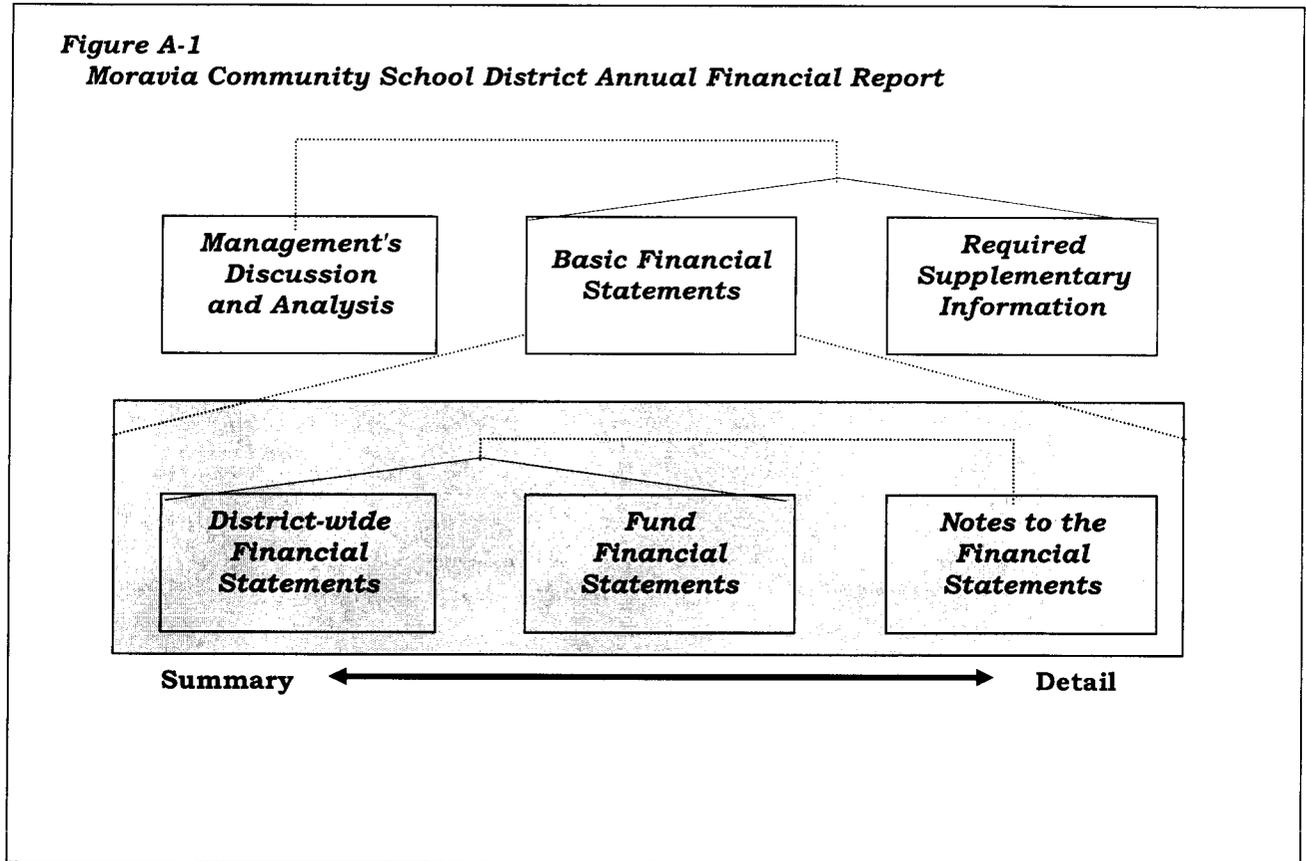


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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	
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are

one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction program are 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, Special Revenue Funds, 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 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 two Enterprise Funds, the School Nutrition Fund, and the Student Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 1,756	1,649	137	14	1,893	1,663	13.8%
Capital assets	1,556	1,608	21	23	1,577	1,631	-3.3%
Total assets	3,312	3,257	158	37	3,470	3,294	5.3%
Long-term liabilities	320	414	115	-	435	414	5.1%
Other liabilities	1,192	1,131	8	11	1,200	1,142	5.1%
Total liabilities	1,512	1,545	123	11	1,635	1,556	5.1%
<b>Net assets</b>							
Invested in capital assets							
net of related debt	1,236	1,203	21	23	1,257	1,226	2.5%
Restricted	100	124	-	-	100	124	-19.4%
Unrestricted	464	385	14	3	478	388	23.2%
Total net assets	\$ 1,800	1,712	35	26	1,835	1,738	5.6%

The District's combined net assets increased nearly 5.6%, or approximately \$97,000, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$24,000, or 19% under the prior year. The decrease was primarily a result of market losses in the Moravia Education Foundation Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$90,000, or 23.2%. The increase in unrestricted net assets was a result of the District spending less money in the capital projects fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business type		Total		Total
	Activities		Activities		District		
	2009	2008	2009	2008	2009	2008	2008-2009
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 468	397	93	85	561	482	16.4%
Operating grants, contributions and restricted interest	793	546	109	91	902	637	41.6%
<b>General revenues:</b>							
Property tax	1,023	992	-	-	1,023	992	3.1%
Income surtax	137	115	-	-	137	115	19.1%
Local option sales and service tax	201	173	-	-	201	173	16.2%
Unrestricted state grants	1,367	1,291	-	-	1,367	1,291	5.9%
Unrestricted investment earnings	4	29	-	-	4	29	-86.2%
Sale of capital assets	2	-	-	-	2	-	100.0%
Other	5	1	-	-	5	1	400.0%
<b>Total revenues</b>	<b>4,000</b>	<b>3,544</b>	<b>202</b>	<b>176</b>	<b>4,202</b>	<b>3,720</b>	<b>13.0%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	2,705	2,440	-	-	2,705	2,440	10.9%
Support services	967	1,009	-	-	967	1,009	-4.2%
Non-instructional programs	-	-	193	182	193	182	6.0%
Other expenses	238	252	-	-	238	252	-5.6%
<b>Total expenses</b>	<b>3,910</b>	<b>3,701</b>	<b>193</b>	<b>182</b>	<b>4,103</b>	<b>3,883</b>	<b>5.7%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 90</b>	<b>(157)</b>	<b>9</b>	<b>(6)</b>	<b>99</b>	<b>(163)</b>	<b>100.0%</b>

In fiscal 2009, property tax and unrestricted state grants account for 59.75% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from the business type activities.

The Districts total revenues were approximately \$4.2 million of which \$4.0 million was for governmental activities and approximately \$202,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 13.0% increase in revenues and a 5.7% increase in expenses. Property tax increased approximately \$31,000 to partially fund increases in expenses. The increase in expenses was primarily due to increased cost for salaries and benefits, transportation and building operation expenses.

## Governmental Activities

Revenues for governmental activities were \$3,998,482 and expenses were \$3,909,972 for the year ended June 30, 2009. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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, 2009 compared to the year ended June 30, 2008.

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-2009			2008-2009
Instruction	\$ 2,705	2,440	10.9%	1,555	1,631	-4.7%
Support services	967	1,009	-4.2%	966	978	-1.2%
Non-instructional programs	-	-	0.0%	-	-	0.0%
Other expenses	238	252	-5.6%	127	149	-14.8%
<b>Totals</b>	<b>\$ 3,910</b>	<b>3,701</b>	<b>5.6%</b>	<b>2,648</b>	<b>2,758</b>	<b>-4.0%</b>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$468,305.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$792,693.
- The net cost of governmental activities was financed with \$1,360,873 in property and other tax, including local option sales and services tax, and \$1,366,469 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$202,072, representing a 14.6% increase over the prior year, while expenses totaled \$192,911, a 5.8% increase over the prior year. The District's business type activities include the School Nutrition Fund and the Student Construction Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2009, the District increased prices on the sale of juice drinks and adult lunches. This increase in revenue was used to update equipment and fund the portion of janitorial services used in the lunchroom.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Moravia 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 a combined fund balances of \$450,294, above last year's ending fund balances of \$411,995. The primary reason for the increase was decreased expenditures in the Capital Projects Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The slight decline in enrollment and a higher negotiated settlement lead to deficit spending. As a result, the District was required to use its carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decrease from \$309,726 to \$281,704 is partially due to increased cost of fuel, salaries and the related benefits.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from (\$1,239) in fiscal 2008 to \$2,818 in fiscal 2009. While revenues remained approximately the same, the District decreased spending from the PPEL to increase the financial condition of the fund.
- The District passed the SILO Tax in fiscal 2004 and started receiving revenue in fiscal 2005. Revenues for the year were \$200,895 with expenditures of \$110,823. Replacing the baseball field lights and repairs to the building, the District ended with a fund balance of \$68,583 at June 30, 2009.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$25,991 at June 30, 2008 to \$35,152 at June 30, 2009, representing an increase of approximately 35.2%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Moravia Community School District did not amend its annual budget.

The District's total revenues were \$738,527 less than budgeted revenues, a variance of approximately 15%. The district budgets its revenue at a high amount in order to match up its revenues with the maximum authorized spending authority.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$1.58 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) This represents a net decrease of 3.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$95,526.

The original cost of the District's capital assets was \$3.5 million. Governmental funds account for \$3.4 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increase in assets was due to building improvements. The majority of these improvements included remodeling the junior high and lights for the baseball field.

**Figure A-6**  
**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,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 1	13	-	-	1	13	-92.3%
Buildings	1,289	1,346	-	-	1,289	1,346	-4.2%
Improvements other than buildings	61	30	-	-	61	30	103.3%
Furniture and equipment	205	219	21	23	226	242	-6.6%
<b>Totals</b>	<b>\$ 1,556</b>	<b>1,608</b>	<b>21</b>	<b>23</b>	<b>1,577</b>	<b>1,631</b>	<b>-3.3%</b>

### Long-Term Debt

At June 30, 2009, the District had \$435,000 in total long-term debt outstanding. This represents an increase of approximately 5.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 and 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 320	405	-21.0%
Early retirement	-	9	-100.0%
Loan payable	115	-	100.0%
Totals	\$ 435	414	5.1%

**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:

- Although the District has experienced declining enrollment for two of the past three years, the District expects a slight increase in enrollment due to a new housing development in progress within the District.
- The preschool classes will be funded by the State of Iowa, which will raise General Fund revenues significantly.
- The new Honey Creek Destination Park currently in development is located in the District. This will generate an increase in tax base due to related development in the region.

**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 Christina Bickel, District Secretary/Treasurer and Business Manager, Moravia Community School District, 505 N. Trussell, Moravia, Iowa, 52571.

Basic Financial Statements

## Moravia Community School District

Exhibit A

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 232,766	29,035	261,801
Receivables:			
Property tax:			
Delinquent	19,815	-	19,815
Succeeding year	1,120,529	-	1,120,529
Accounts	14,320	620	14,940
Due from other funds	7,685	-	7,685
Due from other governments	361,150	8,086	369,236
Inventories	-	99,268	99,268
Capital assets, net of accumulated depreciation	1,555,925	20,828	1,576,753
<b>Total assets</b>	<b>3,312,190</b>	<b>157,837</b>	<b>3,470,027</b>
<b>Liabilities</b>			
Accounts payable	27,521	-	27,521
Due to other governments	43,322	-	43,322
Due to other funds	-	7,685	7,685
Accrued interest payable	949	-	949
Deferred revenue - succeeding year property tax	1,120,529	-	1,120,529
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	85,000	-	85,000
Loan payable	-	115,000	115,000
Portion due after one year:			
General obligation bonds payable	235,000	-	235,000
<b>Total liabilities</b>	<b>1,512,321</b>	<b>122,685</b>	<b>1,635,006</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,235,925	20,828	1,256,753
Restricted for:			
Management levy	10,907	-	10,907
Physical plant and equipment levy	2,818	-	2,818
Other special revenue purposes	85,172	-	85,172
Debt service	1,110	-	1,110
Unrestricted	463,937	14,324	478,261
<b>Total net assets</b>	<b>\$ 1,799,869</b>	<b>35,152</b>	<b>1,835,021</b>

See notes to financial statements.

## Moravia Community School District

Exhibit B

## Statement of Activities

Year ended June 30, 2009

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 1,584,281	258,804	489,972	-	(835,505)	-	(835,505)
Special instruction	530,048	22,911	113,363	-	(393,774)	-	(393,774)
Other instruction	590,435	186,454	77,966	-	(326,015)	-	(326,015)
	<u>2,704,764</u>	<u>468,169</u>	<u>681,301</u>	<u>-</u>	<u>(1,555,294)</u>	<u>-</u>	<u>(1,555,294)</u>
Support services:							
Student	13,846	-	-	-	(13,846)	-	(13,846)
Instructional staff	85,674	-	-	-	(85,674)	-	(85,674)
Administration	416,614	-	-	-	(416,614)	-	(416,614)
Operation and maintenance of plant	241,619	136	-	-	(241,483)	-	(241,483)
Transportation	208,712	-	-	-	(208,712)	-	(208,712)
	<u>966,465</u>	<u>136</u>	<u>-</u>	<u>-</u>	<u>(966,329)</u>	<u>-</u>	<u>(966,329)</u>
Non-instructional programs	475	-	-	-	(475)	-	(475)
Other expenditures:							
Facilities acquisition	62,861	-	-	-	(62,861)	-	(62,861)
Long-term debt interest	14,162	-	-	-	(14,162)	-	(14,162)
AEA flowthrough	111,392	-	111,392	-	-	-	-
Depreciation (unallocated)*	49,853	-	-	-	(49,853)	-	(49,853)
	<u>238,268</u>	<u>-</u>	<u>111,392</u>	<u>-</u>	<u>(126,876)</u>	<u>-</u>	<u>(126,876)</u>
Total governmental activities	3,909,972	468,305	792,693	-	(2,648,974)	-	(2,648,974)
<b>Business type activities:</b>							
Non-instructional programs:							
Food service operations	192,911	92,892	109,159	-	-	9,140	9,140
Total	<u>\$ 4,102,883</u>	<u>561,197</u>	<u>901,852</u>	<u>-</u>	<u>(2,648,974)</u>	<u>9,140</u>	<u>(2,639,834)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 899,604	-	899,604
Debt service					101,102	-	101,102
Capital outlay					22,165	-	22,165
Statewide sales and services tax					200,895	-	200,895
Income surtax					137,107	-	137,107
Unrestricted state grants					1,366,469	-	1,366,469
Unrestricted investment earnings					3,698	21	3,719
Sale of capital assets					1,675	-	1,675
Other					4,769	-	4,769
Total general revenues					<u>2,737,484</u>	<u>21</u>	<u>2,737,505</u>
Change in net assets					88,510	9,161	97,671
Net assets beginning of year					<u>1,711,359</u>	<u>25,991</u>	<u>1,737,350</u>
Net assets end of year					<u>\$ 1,799,869</u>	<u>35,152</u>	<u>1,835,021</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

## Moravia Community School District

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Nonmajor	Total
<b>Assets</b>			
Cash and pooled investments:			
Other	\$ 75,360	157,406	232,766
Receivables:			
Property tax:			
Delinquent	16,441	3,374	19,815
Succeeding year	915,766	204,763	1,120,529
Accounts	12,189	2,131	14,320
Due from other funds	17,657	26,263	43,920
Due from other governments	341,667	19,483	361,150
<b>Total assets</b>	<b>\$1,379,080</b>	<b>413,420</b>	<b>1,792,500</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	27,521	27,521
Due to other governments	43,322	-	43,322
Due to other funds	23,689	12,546	36,235
Deferred revenue:			
Succeeding year property tax	915,766	204,763	1,120,529
Other	114,599	-	114,599
Total liabilities	1,097,376	244,830	1,342,206
Fund balances:			
Reserved for debt service	-	1,110	1,110
Reserved - donor specified	-	29,848	29,848
Unreserved	281,704	137,632	419,336
Total fund balances	281,704	168,590	450,294
<b>Total liabilities and fund balances</b>	<b>\$1,379,080</b>	<b>413,420</b>	<b>1,792,500</b>

See notes to financial statements.

Moravia Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

<b>Total fund balances of governmental funds (page 20)</b>	\$ 450,294
 <i>Amounts reported for governmental activities in the Statement of Net Assets 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.	1,555,925
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	114,599
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.	(949)
Long-term liabilities, including general obligation bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(320,000)</u>
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 1,799,869</u></u>

See notes to financial statements.

## Moravia Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2009

	General	Nonmajor	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 977,915	375,122	1,353,037
Tuition	301,352	-	301,352
Other	35,177	168,461	203,638
State sources	1,878,423	-	1,878,423
Federal sources	252,528	-	252,528
Total revenues	3,445,395	543,583	3,988,978
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,578,322	25,155	1,603,477
Special	527,407	2,641	530,048
Other	400,484	189,184	589,668
	2,506,213	216,980	2,723,193
Support services:			
Student	13,784	62	13,846
Instructional staff	84,729	945	85,674
Administration	404,402	12,212	416,614
Operation and maintenance of plant	187,914	37,023	224,937
Transportation	178,658	7,850	186,508
	869,487	58,092	927,579
Non-instructional programs	-	475	475
Other expenditures:			
Facilities acquisition	-	102,337	102,337
Long-term debt:			
Principal	-	85,000	85,000
Interest and fiscal charges	-	14,378	14,378
AEA flowthrough	111,392	-	111,392
	111,392	201,715	313,107
Total expenditures	3,487,092	477,262	3,964,354
Excess (deficiency) of revenues over (under) expenditures	(41,697)	66,321	24,624
Other financing sources (uses):			
Sale of capital assets	13,675	-	13,675
Total other financing sources (uses)	13,675	-	13,675
Net change in fund balances	(28,022)	66,321	38,299
Fund balances beginning of year	309,726	102,269	411,995
Fund balances end of year	\$ 281,704	168,590	450,294

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2009

**Net change in fund balances - total governmental funds (page 22)** **\$ 38,299**

*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 exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 51,476	
Depreciation expense	<u>(91,060)</u>	(39,584)

Cash received from the sale of capital assets are reported in the governmental funds as an other financing source. However, in the Statement of Net Assets, this amount reduces the related capital asset balance. Current year sales reduced the capital asset balance in the Statement of Net Assets. (12,000)

Income surtax receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 7,826

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues were less than repayments, as follows:

Issued	-	
Repaid	<u>85,000</u>	85,000

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. 219

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures of the governmental funds, as follows:

Early retirement		8,750
------------------	--	-------

**Change in net assets of governmental activities (page 19)** **\$ 88,510**

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	School Nutrition	Student Construction	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,978	20,057	29,035
Due from other governments	8,086	-	8,086
Accounts receivable	620	-	620
Inventories	4,325	94,943	99,268
Capital assets, net of accumulated depreciation	20,828	-	20,828
<b>Total assets</b>	<u>42,837</u>	<u>115,000</u>	<u>157,837</u>
<b>Liabilities</b>			
Due to other funds	7,685	-	7,685
Loan payable	-	115,000	115,000
<b>Total liabilities</b>	<u>7,685</u>	<u>115,000</u>	<u>122,685</u>
<b>Net Assets</b>			
Invested in capital assets	20,828	-	20,828
Unrestricted	14,324	-	14,324
<b>Total net assets</b>	<u>\$ 35,152</u>	<u>-</u>	<u>35,152</u>

See notes to financial statements.

Moravia Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	School Nutrition	Student Construction	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 92,892	-	92,892
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	64,691	-	64,691
Benefits	15,507	-	15,507
Purchased services	3,983	-	3,983
Supplies	104,261	-	104,261
Depreciation	4,469	-	4,469
Total operating expenses	192,911	-	192,911
Operating loss	(100,019)	-	(100,019)
Non-operating revenues:			
State sources	2,341	-	2,341
Federal sources	106,818	-	106,818
Interest income	21	-	21
Total non-operating revenues	109,180	-	109,180
Net income	9,161	-	9,161
Net assets beginning of year	25,991	-	25,991
Net assets end of year	\$ 35,152	-	35,152

See notes to financial statements.

## Moravia Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Business-Type Activities		
	Enterprise Funds		
	School Nutrition	Student Construction	Total
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 95,162	-	95,162
Cash payments to employees for services	(80,198)	-	(80,198)
Cash payments to suppliers for goods and services	(104,725)	(94,943)	(199,668)
Net cash (used) by operating activities	(89,761)	(94,943)	(184,704)
<b>Cash flows from non-capital financing activities:</b>			
State grants received	2,341	-	2,341
Federal grants received	98,860	-	98,860
Net cash provided by non-capital financing activities	101,201	-	101,201
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(2,483)	-	(2,483)
Proceeds from loan	-	115,000	115,000
Net cash provided (used) by capital and related financing	(2,483)	115,000	112,517
<b>Cash flows from investing activities:</b>			
Interest on investments	21	-	21
Net increase in cash and cash equivalents	8,978	20,057	29,035
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ 8,978	20,057	29,035
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (100,019)	-	(100,019)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	8,496	-	8,496
Depreciation	4,469	-	4,469
Decrease in accounts receivable	2,270	-	2,270
(Increase) in inventories	(1,918)	(94,943)	(96,861)
(Decrease) in bank overdraft	(3,058)	-	(3,058)
(Decrease) in due to other funds	(1)	-	(1)
Net cash (used) by operating activities	\$ (89,761)	(94,943)	(184,704)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$8,496 of federal commodities

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies**

Moravia 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. 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 City of Moravia, Iowa, and the predominate agricultural territory of Appanoose, Davis and Monroe 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, Moravia 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 Moravia Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

Blended Component Unit – The Moravia Education Foundation (Foundation) is included in the financial statements of the Moravia Community School District because its relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The members and Board of Directors of the Foundation consist of the members of the District's Board of Education. In addition, the purpose of the Foundation is to support the activities of the Moravia Community School District.

Jointly Governed Organizations – The District participates in jointly governed organizations which provide 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 Appanoose, Davis and Monroe County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 and proprietary funds. 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.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The District reports the following major proprietary funds:

The Enterprise Fund, School Nutrition Fund is used to account for the food service operations of the District.

The Enterprise Fund, Student Construction Fund is used to account for the student-built house 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 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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 journal entries to the cash basis financial records.

#### D. Assets, Liabilities, 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in 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 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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 or used rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – District employees accumulate a limited amount of vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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 deposits 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 304,720

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

The Foundation invests in a checking account and stock. At June 30, 2009, the carrying amount of the stock was \$26,469, and the fair value was \$4,247. The stock is reported at fair value, as determined by the investment company handling the account. The Foundation's investments are all category 1, which means that the investments are held by the Foundation in the Foundation's name. The investment balances of the Foundation's funds are reported at the carrying amount which reasonably estimates fair value.

(3) **Due From and Due to Other Funds**

The details of interfund receivables and payables at June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Student Activity	\$ 2,783
	Debt Service	7,189
	Enterprise: School Nutrition	<u>7,686</u>
		17,658
Capital Projects	General	23,689
	Special Revenue: Management Levy	<u>2,574</u>
		<u>26,263</u>
	Total	<u>\$ 43,921</u>

The above either represents loans from one fund to another fund, or corrective transfers that need to be made.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 13,000	-	12,000	1,000
Total capital assets not being depreciated	<u>13,000</u>	<u>-</u>	<u>12,000</u>	<u>1,000</u>
Capital assets being depreciated:				
Buildings	2,772,934	-	-	2,772,934
Improvements other than buildings	49,768	35,500	-	85,268
Furniture and equipment	557,383	15,976	9,000	564,359
Total capital assets being depreciated	<u>3,380,085</u>	<u>51,476</u>	<u>9,000</u>	<u>3,422,561</u>
Less accumulated depreciation for:				
Buildings	1,427,845	56,464	-	1,484,309
Improvements other than buildings	19,512	4,263	-	23,775
Furniture and equipment	338,222	30,330	9,000	359,552
Total accumulated depreciation	<u>1,785,579</u>	<u>91,057</u>	<u>9,000</u>	<u>1,867,636</u>
Total capital assets being depreciated, net	<u>1,594,506</u>	<u>(39,581)</u>	<u>-</u>	<u>1,554,925</u>
Governmental activities capital assets, net	<u>\$ 1,607,506</u>	<u>(39,581)</u>	<u>12,000</u>	<u>1,555,925</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 115,554	2,483	-	118,037
Less accumulated depreciation	92,740	4,469	-	97,209
Business type activities capital assets, net	\$ 22,814	(1,986)	-	20,828

Depreciation expense was charged to the following functions:

Government activities:

Instruction:

Regular	\$ 1,550
Other	768

Support services:

Operation and maintenance of plant	16,682
Transportation	22,204

Unallocated

Total depreciation expense - governmental activities

Business type activities:

Food service operations	\$ 4,469
-------------------------	----------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 405,000	-	85,000	320,000	85,000
Early retirement	8,750	-	8,750	-	-
Total	\$ 413,750	-	93,750	320,000	85,000



**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$139,302, \$123,659, and \$109,362, respectively, equal to the required contributions for each year.

**(9) 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.

**(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 \$111,392 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Moravia Education Foundation**

The Moravia Education Foundation is a 501 (c) 3 organization reported as a Special Revenue Fund in the financial statements. The purpose of the Foundation is to provide advancement, enhancement, or support to education in the Moravia School District. The bylaws state that 90% of the realized income will be used to support grants, and 10% will be reinvested in the fund, along with the original principal amount. At June 30, 2009, the District determined that \$29,848 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a reserved fund balance on the balance sheet.

Required Supplementary Information

Moravia Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Revenues:					
Local sources	\$ 1,858,027	92,913	1,950,940	2,396,447	(445,507)
State sources	1,878,423	2,341	1,880,764	2,007,130	(126,366)
Federal sources	252,528	106,818	359,346	526,000	(166,654)
Total revenues	<u>3,988,978</u>	<u>202,072</u>	<u>4,191,050</u>	<u>4,929,577</u>	<u>(738,527)</u>
Expenditures/Expenses:					
Instruction	2,723,193	-	2,723,193	2,907,590	184,397
Support services	927,579	-	927,579	1,375,300	447,721
Non-instructional programs	475	192,911	193,386	273,500	80,114
Other expenditures	313,107	-	313,107	369,999	56,892
Total expenditures/expenses	<u>3,964,354</u>	<u>192,911</u>	<u>4,157,265</u>	<u>4,926,389</u>	<u>769,124</u>
Excess (deficiency) of revenues over (under) expenditures	24,624	9,161	33,785	3,188	30,597
Other financing sources (uses), net	13,675	-	13,675	-	13,675
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	38,299	9,161	47,460	3,188	44,272
Balances beginning of year	411,995	25,991	437,986	585,591	(147,605)
Balances end of year	<u>\$ 450,294</u>	<u>35,152</u>	<u>485,446</u>	<u>588,779</u>	<u>(103,333)</u>

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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, the District did not adopt a budget amendment.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

Moravia Community School District

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue						Total
	Moravia Education Foundation	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Capital Projects	
<b>Assets</b>							
Cash and pooled investments	\$ 38,054	12,516	51,070	2,367	6,341	47,058	157,406
Receivables:							
Property tax:							
Delinquent	-	965	-	451	1,958	-	3,374
Succeeding year	-	81,000	-	25,878	97,885	-	204,763
Accounts	-	-	2,131	-	-	-	2,131
Due from other funds	-	-	-	-	-	26,263	26,263
Due from other governments	-	-	-	-	-	19,483	19,483
<b>Total assets</b>	<b>\$ 38,054</b>	<b>94,481</b>	<b>53,201</b>	<b>28,696</b>	<b>106,184</b>	<b>92,804</b>	<b>413,420</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	-	3,300	-	-	24,221	27,521
Due to other funds	-	2,574	2,783	-	7,189	-	12,546
Deferred revenue:							
Succeeding year property tax	-	81,000	-	25,878	97,885	-	204,763
Total liabilities	-	83,574	6,083	25,878	105,074	24,221	244,830
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	1,110	-	1,110
Donor specified	29,848	-	-	-	-	-	29,848
Unreserved	8,206	10,907	47,118	2,818	-	68,583	137,632
Total fund balances	38,054	10,907	47,118	2,818	1,110	68,583	168,590
<b>Total liabilities and fund balances</b>	<b>\$ 38,054</b>	<b>94,481</b>	<b>53,201</b>	<b>28,696</b>	<b>106,184</b>	<b>92,804</b>	<b>413,420</b>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue						Total
	Moravia Education Foundation	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Capital Projects	
Revenues:							
Local sources:							
Local tax	\$ -	50,960	-	22,165	101,102	200,895	375,122
Other	(18,937)	485	186,913	-	-	-	168,461
Total revenues	(18,937)	51,445	186,913	22,165	101,102	200,895	543,583
Expenditures:							
Current:							
Instruction:							
Regular	1,100	24,055	-	-	-	-	25,155
Special	-	2,641	-	-	-	-	2,641
Other	-	2,271	186,913	-	-	-	189,184
Support services:							
Student	-	62	-	-	-	-	62
Instructional staff	-	401	-	-	-	544	945
Administration	-	12,212	-	-	-	-	12,212
Operation and maintenance of plant	-	10,973	-	14,603	-	11,447	37,023
Transportation	-	7,850	-	-	-	-	7,850
Non-instructional programs	-	475	-	-	-	-	475
Other expenditures:							
Facilities acquisition	-	-	-	3,505	-	98,832	102,337
Long-term debt:							
Principal	-	-	-	-	85,000	-	85,000
Interest and fiscal changes	-	-	-	-	14,378	-	14,378
Total expenditures	1,100	60,940	186,913	18,108	99,378	110,823	477,262
Excess (deficiency) of revenues over (under) expenditures	(20,037)	(9,495)	-	4,057	1,724	90,072	66,321
Fund balances beginning of year	58,091	20,402	47,118	(1,239)	(614)	(21,489)	102,269
Fund balances end of year	\$ 38,054	10,907	47,118	2,818	1,110	68,583	168,590

See accompanying independent auditor's report.

Moravia Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ -	459	-	(421)	38
Unreserved	-	-	403	403	-
Variety Show	1,391	510	-	200	2,101
Band Trip	10,594	33,688	38,761	(2,193)	3,328
Year book	(6,085)	7,123	7,262	-	(6,224)
Clark Memorial	178	-	-	(178)	-
High School Cheerleaders	343	1,277	1,180	-	440
Wrestling Cheerleaders	45	-	-	-	45
Drama	142	-	-	-	142
Spanish Club	658	24	500	-	182
FFA	7,661	13,681	11,462	(40)	9,840
FHA	2,320	1,583	2,076	-	1,827
Student Council	189	3,283	3,095	-	377
Academic Dream	-	125	143	18	-
Student Development	375	303	-	-	678
Elementary	2,807	18,681	14,593	-	6,895
Concessions	-	16,194	21,269	4,839	(236)
NHS	97	-	20	-	77
Class of 2009	6,529	6,373	12,822	(80)	-
Class of 2010	2,985	4,873	2,409	-	5,449
Class of 2011	4,961	1,905	203	-	6,663
Class of 2012	3,008	1,424	81	-	4,351
Class of 2013	1,443	2,848	1,152	-	3,139
Class of 2014	-	1,729	2,964	2,508	1,273
Class of 2015	132	-	-	-	132
Class of 2016	-	2,508	-	(2,508)	-
High School Activity	816	8,466	6,264	-	3,018
Europe	68	-	-	-	68
Computer Project	178	50	253	25	-
Speech Club	-	-	174	174	-
Boys Track	-	54	418	-	(364)
Activity Passes	39	30,825	25,811	(3,619)	1,434
Junior High Athletics	257	-	174	-	83
Boys Basketball	1,021	4,108	4,466	-	663
High School Football	829	9,207	12,570	-	(2,534)
Baseball	(199)	2,169	1,484	-	486
Wrestling	60	1,352	1,066	-	346
Construction	382	-	53	-	329
Girls Basketball	330	1,507	1,615	-	222
Volleyball	596	4,372	4,408	900	1,460
Softball	2,555	5,799	7,591	-	763
Cross Country	145	215	171	-	189
Girls Track	240	198	-	-	438
Football Boosters	28	-	-	(28)	-
<b>Total</b>	<b>\$ 47,118</b>	<b>186,913</b>	<b>186,913</b>	<b>-</b>	<b>47,118</b>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 4

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>						
Local sources:						
Local tax	\$1,351,362	1,280,131	1,228,530	1,098,441	980,208	914,345
Tuition	301,352	222,893	289,844	250,341	268,743	242,808
Other	205,313	204,157	230,243	211,508	324,919	161,032
Intermediate sources	-	-	-	-	61,103	37,477
State sources	1,878,423	1,664,519	1,586,760	1,552,826	1,438,737	1,463,061
Federal sources	252,528	172,633	248,164	320,572	154,496	203,558
Total	<u>\$3,988,978</u>	<u>3,544,333</u>	<u>3,583,541</u>	<u>3,433,688</u>	<u>3,228,206</u>	<u>3,022,281</u>
<b>Expenditures:</b>						
Instruction:						
Regular	\$1,603,477	1,548,758	1,355,157	1,296,673	1,436,641	1,322,066
Special	530,048	331,114	398,202	313,993	401,792	299,730
Other	589,668	566,413	489,379	510,474	347,552	430,728
Support services:						
Student	13,846	90,307	85,143	81,765	80,185	72,891
Instructional staff	85,674	29,639	58,090	75,068	40,678	44,222
Administration	416,614	436,077	459,719	441,552	430,681	398,037
Operation and maintenance of plant	224,937	247,452	221,922	196,670	217,573	221,807
Transportation	186,508	194,660	137,340	191,623	142,213	164,001
Non-instructional programs	475	482	457	618	495	400
Other expenditures:						
Facilities acquisition	102,337	230,147	58,392	267,315	53,081	3,364
Long-term debt:						
Principal	85,000	85,000	80,000	75,000	79,676	74,883
Interest and other charges	14,378	16,935	18,634	20,435	22,830	34,948
AEA flowthrough	111,392	103,255	96,106	91,933	87,761	89,358
Total	<u>\$3,964,354</u>	<u>3,880,239</u>	<u>3,458,541</u>	<u>3,563,119</u>	<u>3,341,158</u>	<u>3,156,435</u>

See accompanying independent auditor's report.

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
CLIVE, IA 50325  
(515) 277-3077

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  
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moravia Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when a design in the operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Moravia Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Moravia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Moravia Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Moravia Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09, I-C-09, I-E-09, I-F-09 and I-G-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Moravia 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, 2009 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.

Moravia 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 Moravia Community School District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Moravia Community School District and other parties to whom the Moravia Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Moravia 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.

Peak & Co., LLP  
Certified Public Accountants

January 11, 2010

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

I-A-09 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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. An independent person does not prepare an initial listing of the checks received and later compare the listing to the receipts issued. In addition, an independent person does not compare the credits per the bank statement with credits as recorded on the general ledger. An independent person does not compare the debits per the bank statement with the debits as recorded on the general ledger. Also, vouchers are sometimes processed, disbursements are recorded, and checks are prepared by the same person. In most instances, the same individual stamps the Board President's and Board Secretary's name on all District checks.

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 – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

I-B-09 Disbursements – For several transactions tested, there was no evidence of Board approval of the disbursement. Also, in some cases payments were made to vendors even though no invoices existed. In addition, the Board President does not consistently sign the list of approved bills.

Recommendation – The District should ensure all disbursements are properly approved by the Board, and that all disbursements are supported by an invoice prior to payment. Also, the Board President should sign the list of approved bills.

Response – We will ensure that all disbursements are properly approved, and that invoices exist for all disbursements prior to payment. In addition, the Board President will sign the list of approved bills.

Conclusion – Response accepted.

I-C-09 Financial Reporting – We identified a material amount of bond interest expense misposted to the General Fund rather than the Debt Service Fund. Adjustments were subsequently made by the District to properly include and report these amounts in the financial statements.

In addition, property taxes were not always posted to the correct fund. As a result, \$1,145 is due from the Special Revenue – Management Levy Fund to the Special Revenue – Physical Plant and Equipment Levy Fund as of June 30, 2009.

Recommendation – The District should implement procedures to ensure bond interest expense and property taxes are properly recorded in the District's financial statements. In addition, the above transfer should be made.

Response – We will also double check our work in the future in order to avoid posting errors.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

- I-D-09 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The construction account and the football boosters account reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

The District provides class credit for student participation on the Yearbook. The District maintains a student activity account for the Yearbook. Since participation on the Yearbook staff is required for class credit, the District should account for all class related transactions in the General Fund. The District may only maintain an account in the Student Activity Fund for the Yearbook if participation is optional as an extracurricular activity in accordance with Chapter 298A of the Code of Iowa.

For fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Recommendation – The District should review the propriety of all of the accounts in the Student Activity Fund, and determine which accounts meet the Department of Education requirements to be included in the Student Activity Fund. All accounts which do not meet the requirements to be included in the Student Activity Fund should be recorded in another appropriate fund.

The District should also implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response accepted.

- I-E-09 Admission Tickets – Admission tickets were not consistently issued for athletic events.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

I-F-09 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Moravia Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

I-G-09 Accounting Records – The District's bank reconciliations were not accurate during the year, and as of June 30, 2009. The reconciled bank balances as noted on the bank reconciliations do not agree with the book balances. In fact, the reconciled bank balances and the book balances differed by several thousand dollars during the year, and as of June 30, 2009. As a result, the Board has not been receiving accurate financial information all fiscal year. This situation was allowed to occur and not be detected by the District in a timely manner because of the lack of segregation of duties and lack of review of the accounting records by either management of the District or the Board. Adjustments were subsequently made by the District to properly include and report these amounts on the financial statements. This situation has been reported in the audit report for several years now, and it does not appear the District has ever addressed this issue.

Recommendation – The District implement procedures to ensure accurate financial information is obtained every month, including bank reconciliations which reconcile the bank and books.

Response – We will implement this recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the certified budget.

II-B-09 Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 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-09 Business Transactions -- No business transactions between the District and District officials or employees were noted.

II-E-09 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-09 Board Minutes – As previously noted, transactions requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa. Some invoices were not published in the newspaper, as required by Chapter 279.35 of the Code of Iowa. In some cases, the Board minutes were not signed by the Board Secretary.

In one instance, the Board minutes did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

One instance was noted where the board minutes were not published. As a result, the District does not appear to be in compliance with Chapter 279.35 of the Code of Iowa.

Recommendation – Procedures should be implemented to ensure all disbursements are approved by the Board. Also, all board minutes and invoices should be published as required by Chapter 279.35 of the Code of Iowa. In addition, all Board minutes should be signed by the Board Secretary. The District should also comply with Chapter 21 of the Code of Iowa in relation to the open-meetings law.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-G-09 Certified Enrollment – The total supplementary weighting students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was understated by 1 student, line 8 was overstated by .1 student, and line 12 was overstated by 1.26 students.

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

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

- II-H-09 Deposits and Investments - 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 were noted, except that bank interest earned is not credited to the Debt Service Fund, as required per Chapter 12C.9 of the Code of Iowa.

Recommendation – The District credit bank interest earned to the Debt Service Fund, as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-I-09 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by October 31, 2009. The Certified Annual Report was not timely filed. In addition, the Certified Annual Report did not include the Enterprise Funds – Student Construction Fund.

Recommendation – In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education, and includes all funds of the District.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

Beginning balance			\$ (21,489)
Statewide sales and services tax revenue			200,895
Expenditures/transfers out:			
School infrastructure:			
Land	\$	-	
Buildings		41,221	
Equipment		18,499	
Other improvements		51,103	
			<u>110,823</u>
Ending balance			<u>\$ 68,583</u>

II-L-09 Payroll Issues – Some I-9’s were missing or incomplete. Our review noted that some individuals were over or under paid and employee contracts were not always located which documents rate of pay. An employee time sheet could not be located. It appears the District is not keeping track of bus driver leave.

Some employees do not keep timesheets. Some employee compensation is paid as a vendor instead of paid as payroll, even though all compensation should be paid as payroll. It appears the District pays for some employee benefits that the employees have not signed up for. As a result, the District is paying for some employee benefit costs for which it should not be paying.

Recommendation – The District should ensure the I-9 forms are correctly completed. In addition, the District should implement procedures to ensure all employees are paid the correct amount. Contracts should be required for all employees, and that the amount paid agrees to the contract and salary scale. Employee time sheets should be retained, and the District should be keeping track of bus driver leave records. The District should ensure that all employees are required to keep timesheets, and all employee compensation is paid as payroll. In addition, the District should only pay for employee benefits that the employees have signed up for.

Response – We will implement the above recommendations.

Conclusion – Response accepted.

II-M-09 Financial Condition – Several student activity accounts had deficit balances at June 30, 2009.

Recommendation – The District should continue to monitor the deficit student activity accounts and investigate alternatives to eliminate these deficits.

Response – We will continue to monitor the student activity accounts in order to return the student activity accounts to a sound financial position.

Conclusion – Response accepted.

II-N-09 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in the manner to include an image of both the front and the back of each cancelled check. The District retains cancelled checks through electronic image, but does not consistently obtain an image of the back of each cancelled check as required.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-O-09 Early Retirement – The District offers an early retirement program incentive which states that for qualified employees who retire, the District will contribute to either a retirement plan or a health care savings plan for the early retiree. The amount paid by the District to these plans is determined by a formula based on years of service to the District. However, during the prior year, the District had an early retiree who wanted paid her early retirement program incentive through payroll. As a result, the District paid this employee her early retiree program incentive through two payroll checks, even though this was not an option according to the early retirement program. As a result, the District ended up paying approximately \$1,400 more in payroll taxes by paying this employee through payroll. The District would not have had to pay the approximate \$1,400 in payroll taxes if the District followed its early retirement policy of either contributing to a retirement plan or a health care savings plan.

Recommendation – The District review this situation and take action as necessary. In addition, in the future, the District should ensure that the early retirement plan is followed. The District should also consult with their Attorney in relation to the approximate \$1,400 overpayment.

Response – We will review this area.

Conclusion – Response accepted.

II-P-09 Interfund Loans – The Board does not consistently approve interfund loans between funds. In addition, it does not appear the District has met the Department of Education requirements as outlined in a Declaratory Order Adm. Doc. #4672 in relation to the proper procedure for handling, recording and repayment of interfund loans.

Recommendation – The Board approve all interfund loans. In addition, the District should implement procedures to ensure the Department of Education requirements are met in relation to the handling, recording and repayment of interfund loans.

Response – We will implement these to the best of our ability.

Conclusion – Response accepted.

II-Q-09 Revenue Maximization – The District is still owed approximately \$1,200 from open enrollment in tuition from a neighboring District from fiscal year 2005. This is the fifth year that this has been reported; however, it does not appear that the District has made a concerted effort to collect these monies. No evidence could be found that the Board has ever discussed this. It appears the District did not collect several thousand dollars of textbook rent due to the District.

Recommendation – The District should attempt to collect all monies due to them from other Districts for open enrollment in tuition and for textbook rent. Any amounts not pursued for collection should be formally approved by the Board.

Response – We will review this and take action as necessary.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2009

II-R-09 Moravia Education Foundation – A double entry accounting system is not used by the Foundation. In addition, support for receipts and disbursements for this fund is virtually non-existent.

Recommendation – The Foundation implement a double entry accounting system. Support for receipts and disbursements should be retained.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

II-S-09 Compliance Issues – In some instances the District paid sales tax on purchases. Void checks were not consistently retained, or if they were retained the void checks were not properly mutilated. It appears the District has overpaid on its copier lease. Because of the lack of coherent records, it is unclear if the District has received all reimbursement due to them from former employees for the health insurance premium payments due to the District.

Recommendation - The District discontinue the payment of sales tax purchases, and retain and properly mutilate void checks. The District should review the potential over payment in relation to the copier lease, and determine that all reimbursement due from former employees have been properly received.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.