

MORAVIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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

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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<u>Board of Education</u> (Before September, 2009 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>Board of Education</u> (After September, 2009 Election)		
Steve Smith	President	2011
Scott Perry	Vice-President	2011
G.E. Luse	Board Member	2011
Chris Spencer	Board Member	2013
John Houser	Board Member	2013

<u>School Officials</u>		
Brad Breon	Superintendent	2010
Stacy Moore *	District Secretary/Treasurer/ Business Manager	Indefinite
Christina Bickel **	District Secretary/Treasurer/ Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

\*- Resigned in August, 2009

\*\* - Appointed in September, 2009

Moravia Community School District

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
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CLIVE, IA 50325

(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, 2010, 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, 2010, 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 15, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 39 through 41 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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 15, 2011

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,459,070 in fiscal 2009 to \$3,462,046 in fiscal 2010, while General Fund expenditures increased from \$3,487,092 in fiscal 2009 to \$3,522,975 in fiscal 2010. The District's General Fund balance decreased from \$281,704 at the end of fiscal 2009 to \$220,775 at the end of fiscal 2010, a 22% decrease.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal 2009 to fiscal 2010, revenue increased \$2,976. As a result of a large increase in expenditures without a corresponding increase in revenues, the District funded a portion of the current year General Fund salaries and benefits 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

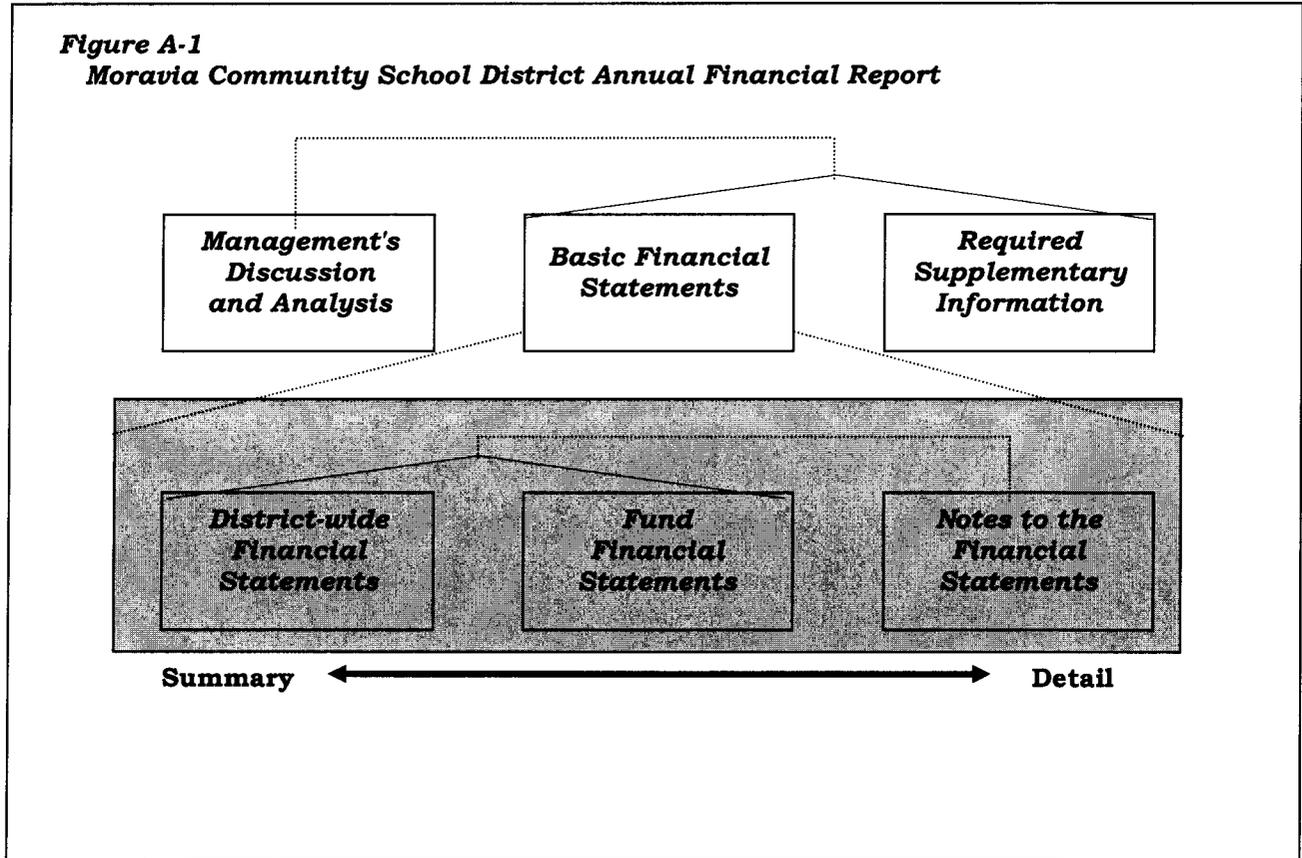


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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 and student construction	
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, 2010 compared to June 30, 2009.

<b>Figure A-3</b>							
<b>Combined Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 2,172	1,756	130	137	2,302	1,893	21.6%
Capital assets	1,648	1,556	16	21	1,664	1,577	5.5%
Total assets	<u>3,820</u>	<u>3,312</u>	<u>146</u>	<u>158</u>	<u>3,966</u>	<u>3,470</u>	<u>14.3%</u>
Long-term liabilities	391	320	118	115	509	435	17.0%
Other liabilities	1,596	1,192	13	8	1,609	1,200	34.1%
Total liabilities	<u>1,987</u>	<u>1,512</u>	<u>131</u>	<u>123</u>	<u>2,118</u>	<u>1,635</u>	<u>29.5%</u>
<b>Net assets</b>							
Invested in capital assets							
net of related debt	1,413	1,236	16	21	1,429	1,257	13.7%
Restricted	239	100	-	-	239	100	139.0%
Unrestricted	181	464	(1)	14	180	478	-62.3%
Total net assets	<u>\$ 1,833</u>	<u>1,800</u>	<u>15</u>	<u>35</u>	<u>1,848</u>	<u>1,835</u>	<u>0.7%</u>

The District's combined net assets increased nearly .7%, or approximately \$13,000, over the prior year. A large 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 increased approximately \$139,000, or 139% over the prior year. The increase was primarily a result of an increase in net assets in the Special Revenue, Management Levy Fund and the Special Revenue, Student Activity 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 – decreased approximately \$298,000, or 62%. The reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year, and the District's net OPEB liability recorded in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 567	468	78	93	645	561	15.0%
Operating grants, contributions and restricted interest	917	793	120	109	1,037	902	15.0%
<b>General revenues:</b>							
Property tax	1,119	1,023	-	-	1,119	1,023	9.4%
Income surtax	145	137	-	-	145	137	5.8%
Statewide sales, services and use tax	189	201	-	-	189	201	-6.0%
Unrestricted state grants	1,105	1,367	-	-	1,105	1,367	-19.2%
Unrestricted investment earnings	1	4	-	-	1	4	-75.0%
Sale of capital assets	1	2	-	-	1	2	-50.0%
Other	37	5	-	-	37	5	640.0%
<b>Total revenues</b>	<b>4,081</b>	<b>4,000</b>	<b>198</b>	<b>202</b>	<b>4,279</b>	<b>4,202</b>	<b>1.8%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instruction	2,844	2,705	-	-	2,844	2,705	5.1%
Support services	975	967	-	-	975	967	0.8%
Non-instructional programs	1	-	218	193	219	193	13.5%
Other expenses	228	238	-	-	228	238	-4.2%
<b>Total expenses</b>	<b>4,048</b>	<b>3,910</b>	<b>218</b>	<b>193</b>	<b>4,266</b>	<b>4,103</b>	<b>4.0%</b>
<b>Increase (decrease) in net assets</b>	<b>33</b>	<b>90</b>	<b>(20)</b>	<b>9</b>	<b>13</b>	<b>99</b>	<b>-86.9%</b>
<b>Net assets beginning of year</b>	<b>1,800</b>	<b>1,710</b>	<b>35</b>	<b>26</b>	<b>1,835</b>	<b>1,736</b>	<b>5.7%</b>
<b>Net assets end of year</b>	<b>\$ 1,833</b>	<b>1,800</b>	<b>15</b>	<b>35</b>	<b>1,848</b>	<b>1,835</b>	<b>0.7%</b>

In fiscal 2010, property tax and unrestricted state grants account for 54% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 100% of the revenue from the business type activities.

The Districts total revenues were approximately \$4.3 million of which \$4.1 million was for governmental activities and approximately \$198,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 1.8% increase in revenues and a 4.0% increase in expenses. Property tax and operating grants, contributions and restricted interest increased approximately \$96,000 and \$135,000, respectively, to partially fund the 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 \$4,080,449 and expenses were \$4,047,186 for the year ended June 30, 2010. In a difficult budget year, the District's financial position increased due to decisions made by the District to control spending.

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, 2010 compared to the year ended June 30, 2009.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 2,844	2,705	5.1%	1,482	1,555	-4.7%
Support services	975	967	0.8%	974	966	0.8%
Non-instructional programs	1	-	100.0%	1	-	100.0%
Other expenses	228	238	-4.2%	106	127	-16.5%
<b>Totals</b>	<b>\$ 4,048</b>	<b>3,910</b>	<b>3.5%</b>	<b>2,563</b>	<b>2,648</b>	<b>-3.2%</b>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$566,998.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$917,434.
- The net cost of governmental activities was financed with \$1,452,323 in property and other tax, including local option sales and services tax, and \$1,104,587 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$197,687 representing a 2.2% decrease under the prior year while expenses totaled \$217,606, a 12.8% 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, 2010, the District increased prices on the sale of juice drinks and adult lunches. The increase in expenses was the result of increasing food prices during the year.

## **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 balance of \$443,980, below last year's ending fund balances of \$450,294. The primary reason for the decrease was the result of expenditures in excess of revenues in the General Fund.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The state budget cuts 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 \$281,704 to \$220,775 is partially due to increased cost of fuel, salaries and the related benefits.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$2,818 in fiscal 2009 to \$6,513 in fiscal 2010. 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 \$188,896 with expenditures of 199,722. The purchase of transportation equipment, along with repairs to the roof, new playground equipment, baseball field improvements, and new windows caused us to spend more money than was received in the Capital Project Fund in fiscal 2010. The District's fund balance in the Capital Projects Fund was \$57,757 at June 30, 2010.

### **Proprietary Fund Highlights**

School Construction Fund net assets decreased from \$0 at June 30, 2009 to (\$5,865) at June 30, 2010. The District is unable to sell the house it built, and is incurring monthly interest and utility costs.

## **BUDGETARY HIGHLIGHTS**

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

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, 2010, the District had invested \$1.66 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 increase of 5.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$81,737.

The original cost of the District's capital assets was \$3.7 million. Governmental funds account for \$3.6 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 and the purchase of a new school bus and other transportation equipment. The majority of these improvements included new playground equipment and baseball field improvements.

**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,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 1	1	-	-	1	1	0.0%
Buildings	1,276	1,289	-	-	1,276	1,289	-1.0%
Improvements other than buildings	87	61	-	-	87	61	42.6%
Furniture and equipment	284	205	16	21	300	226	32.7%
Totals	\$ 1,648	1,556	16	21	1,664	1,577	5.5%

### Long-Term Debt

At June 30, 2010, the District had \$390,755 in general obligation bonds and early retirement obligations. This represents an increase of approximately 22.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 235	320	-26.6%
Net OPEB liability	156	-	100.0%
Totals	\$ 391	320	22.2%

### **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:

- The District expects a slight increase in enrollment due to families moving into the district as well as open enrolling into Moravia's school district.
- The potential change in preschool funding may have a negative effect on the district.
- Staff reduction due to budget cuts will help stabilize the General Fund.
- The continued housing development at Sundown Lake could increase tax base and enrollment.
- The federal government has been behind in Impact Aid payments for the past few years. The federal government is expected to get caught up in final payments due to the district, which will help the General Fund.
- The new Honey Creek Destination Park is located in the District. This should generate an increase in the 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**

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 627,846	5,942	633,788
Receivables:			
Property tax:			
Delinquent	29,804	-	29,804
Succeeding year	1,181,784	-	1,181,784
Accounts	1,366	-	1,366
Due from other funds	12,611	-	12,611
Due from other governments	318,649	7,844	326,493
Inventories	-	116,042	116,042
Capital assets, net of accumulated depreciation	1,648,088	16,256	1,664,344
<b>Total assets</b>	<b>3,820,148</b>	<b>146,084</b>	<b>3,966,232</b>
<b>Liabilities</b>			
Accounts payable	9,523	75	9,598
Salaries and benefits payable	349,430	-	349,430
Due to other governments	54,809	-	54,809
Due to other funds	-	12,611	12,611
Accrued interest payable	715	-	715
Deferred revenue - succeeding year property tax	1,181,784	-	1,181,784
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	90,000	-	90,000
Loan	-	114,920	114,920
Portion due after one year:			
General obligation bonds	145,000	-	145,000
Net OPEB liability	155,755	3,245	159,000
<b>Total liabilities</b>	<b>1,987,016</b>	<b>130,851</b>	<b>2,117,867</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,413,088	16,256	1,429,344
Restricted for:			
Categorical funding	16,120	-	16,120
Management levy	45,507	-	45,507
Physical plant and equipment levy	6,513	-	6,513
Donor specified	30,296	-	30,296
Other special revenue purposes	81,068	-	81,068
School infrastructure	57,757	-	57,757
Debt service	2,064	-	2,064
Unrestricted	180,719	(1,023)	179,696
<b>Total net assets</b>	<b>\$ 1,833,132</b>	<b>15,233</b>	<b>1,848,365</b>

See notes to financial statements.

## Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,762,688	333,780	577,207	-	(851,701)	-	(851,701)
Special instruction	550,978	32,035	174,503	-	(344,440)	-	(344,440)
Other instruction	530,042	200,775	43,248	-	(286,019)	-	(286,019)
	<u>2,843,708</u>	<u>566,590</u>	<u>794,958</u>	<u>-</u>	<u>(1,482,160)</u>	<u>-</u>	<u>(1,482,160)</u>
Support services:							
Student	83,996	-	-	-	(83,996)	-	(83,996)
Instructional staff	96,380	-	-	-	(96,380)	-	(96,380)
Administration	420,653	-	-	-	(420,653)	-	(420,653)
Operation and maintenance of plant	184,690	408	-	-	(184,282)	-	(184,282)
Transportation	188,922	-	-	-	(188,922)	-	(188,922)
	<u>974,641</u>	<u>408</u>	<u>-</u>	<u>-</u>	<u>(974,233)</u>	<u>-</u>	<u>(974,233)</u>
Non-instructional programs	682	-	-	-	(682)	-	(682)
Other expenditures:							
Facilities acquisition	57,068	-	-	-	(57,068)	-	(57,068)
Long-term debt interest	11,550	-	-	-	(11,550)	-	(11,550)
AEA flowthrough	122,476	-	122,476	-	-	-	-
Depreciation (unallocated)*	37,061	-	-	-	(37,061)	-	(37,061)
	<u>228,155</u>	<u>-</u>	<u>122,476</u>	<u>-</u>	<u>(105,679)</u>	<u>-</u>	<u>(105,679)</u>
Total governmental activities	<u>4,047,186</u>	<u>566,998</u>	<u>917,434</u>	<u>-</u>	<u>(2,562,754)</u>	<u>-</u>	<u>(2,562,754)</u>
Business type activities:							
Instruction:							
Other instruction	5,865	-	-	-	-	(5,865)	(5,865)
Non-instructional programs:							
Food service operations	211,741	77,461	120,211	-	-	(14,069)	(14,069)
Total business type activities	<u>217,606</u>	<u>77,461</u>	<u>120,211</u>	<u>-</u>	<u>-</u>	<u>(19,934)</u>	<u>(19,934)</u>
Total	<u>\$ 4,264,792</u>	<u>644,459</u>	<u>1,037,645</u>	<u>-</u>	<u>(2,562,754)</u>	<u>(19,934)</u>	<u>(2,582,688)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 995,253	-	995,253
Debt service					97,737	-	97,737
Capital outlay					25,837	-	25,837
Statewide sales, services and use tax					188,896	-	188,896
Income surtax					144,600	-	144,600
Unrestricted state grants					1,104,587	-	1,104,587
Unrestricted investment earnings					675	15	690
Sale of capital assets					1,660	-	1,660
Other					36,772	-	36,772
Total general revenues					<u>2,596,017</u>	<u>15</u>	<u>2,596,032</u>
Change in net assets					33,263	(19,919)	13,344
Net assets beginning of year					<u>1,799,869</u>	<u>35,152</u>	<u>1,835,021</u>
Net assets end of year					<u>\$ 1,833,132</u>	<u>15,233</u>	<u>1,848,365</u>

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

See notes to financial statements.

Balance Sheet  
Governmental Funds

June 30, 2010

	General	Nonmajor	Total
<b>Assets</b>			
Cash and pooled investments	\$ 438,749	182,571	621,320
Receivables:			
Property tax:			
Delinquent	24,358	5,446	29,804
Succeeding year	976,625	205,159	1,181,784
Accounts	-	1,366	1,366
Due from other funds	16,151	8,906	25,057
Due from other governments	291,116	27,533	318,649
<b>Total assets</b>	<b>\$1,746,999</b>	<b>430,981</b>	<b>2,177,980</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,446	2,077	9,523
Salaries and benefits payable	349,430	-	349,430
Due to other governments	54,809	-	54,809
Due to other funds	8,906	540	9,446
Deferred revenue:			
Succeeding year property tax	976,625	205,159	1,181,784
Other	129,008	-	129,008
<b>Total liabilities</b>	<b>1,526,224</b>	<b>207,776</b>	<b>1,734,000</b>
Fund balances:			
Reserved for:			
Categorical funding	16,120	-	16,120
Debt service	-	2,064	2,064
Donor specified	-	30,296	30,296
Unreserved, reported in:			
General fund	204,655	-	204,655
Special revenue fund	-	133,088	133,088
Capital projects fund	-	57,757	57,757
<b>Total fund balances</b>	<b>220,775</b>	<b>223,205</b>	<b>443,980</b>
<b>Total liabilities and fund balances</b>	<b>\$1,746,999</b>	<b>430,981</b>	<b>2,177,980</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, 2010

**Total fund balances of governmental funds (page 20)** \$ 443,980

*Amounts reported for governmental activities in the  
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,648,088

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 3,526

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 129,008

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. (715)

Long-term liabilities, including general obligation bonds payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (390,755)

**Net assets of governmental activities (page 18)** \$ 1,833,132

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, 2010

	General	Nonmajor	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 1,044,566	393,348	1,437,914
Tuition	362,679	-	362,679
Other	31,919	210,655	242,574
State sources	1,579,743	-	1,579,743
Federal sources	441,479	-	441,479
Total revenues	3,460,386	604,003	4,064,389
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,645,293	18,773	1,664,066
Special	538,900	2,344	541,244
Other	352,102	179,170	531,272
	2,536,295	200,287	2,736,582
Support services:			
Student	73,804	458	74,262
Instructional staff	48,833	44,302	93,135
Administration	399,276	11,643	410,919
Operation and maintenance of plant	179,658	27,889	207,547
Transportation	162,633	85,660	248,293
	864,204	169,952	1,034,156
Non-instructional programs	-	682	682
Other expenditures:			
Facilities acquisition	-	81,683	81,683
Long-term debt:			
Principal	-	85,000	85,000
Interest and fiscal charges	-	11,784	11,784
AEA flowthrough	122,476	-	122,476
	122,476	178,467	300,943
Total expenditures	3,522,975	549,388	4,072,363
Excess (deficiency) of revenues over (under) expenditures	(62,589)	54,615	(7,974)
Other financing sources (uses):			
Sale of capital assets	1,660	-	1,660
Total other financing sources (uses)	1,660	-	1,660
Net change in fund balances	(60,929)	54,615	(6,314)
Fund balances beginning of year	281,704	168,590	450,294
Fund balances end of year	\$ 220,775	223,205	443,980

See notes to financial statements.

Moravia Community School District

Exhibit F

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

Year ended June 30, 2010

**Net change in fund balances - total governmental funds (page 22)** **\$ (6,314)**

*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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 169,328	
Depreciation expense	<u>(77,165)</u>	92,163

Income surtax receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 14,409

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. 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. 234

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:

Other postemployment benefits	(155,755)
-------------------------------	-----------

The Internal Service fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 3,526

**Change in net assets of governmental activities (page 19)** \$ 33,263

See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Other Non-Major Fund - Enterprise - School Nutrition	Total	Internal Service - Flex Spending
<b>Assets</b>				
Cash and cash equivalents	\$ -	5,942	5,942	6,526
Due from other governments	-	7,844	7,844	-
Inventories	113,666	2,376	116,042	-
Capital assets, net of accumulated depreciation	-	16,256	16,256	-
<b>Total assets</b>	<b>113,666</b>	<b>32,418</b>	<b>146,084</b>	<b>6,526</b>
<b>Liabilities</b>				
Accounts payable	-	75	75	-
Due to other funds	4,611	8,000	12,611	3,000
Loan payable	114,920	-	114,920	-
Net OPEB liability	-	3,245	3,245	-
<b>Total liabilities</b>	<b>119,531</b>	<b>11,320</b>	<b>130,851</b>	<b>3,000</b>
<b>Net Assets</b>				
Invested in capital assets	-	16,256	16,256	-
Unrestricted	(5,865)	4,842	(1,023)	3,526
<b>Total net assets</b>	<b>\$ (5,865)</b>	<b>21,098</b>	<b>15,233</b>	<b>3,526</b>

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, 2010

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Other Non- Major Fund - Enterprise - School Nutrition	Total	Internal Service - Flex Spending
Operating revenues:				
Local sources:				
Charges for service	\$ -	77,461	77,461	-
Employee contributions	-	-	-	7,853
Total operating revenue	-	77,461	77,461	7,853
Operating expenses:				
Instruction:				
Other instruction	5,865	-	5,865	-
	5,865	-	5,865	-
Non-instructional programs:				
Salaries	-	78,065	78,065	-
Benefits	-	24,702	24,702	-
Purchased services	-	1,158	1,158	-
Supplies	-	103,244	103,244	-
Other	-	-	-	4,327
Depreciation	-	4,572	4,572	-
	-	211,741	211,741	4,327
Total operating expenses	5,865	211,741	217,606	4,327
Operating income (loss)	(5,865)	(134,280)	(140,145)	3,526
Non-operating revenues:				
State sources	-	1,935	1,935	-
Federal sources	-	118,276	118,276	-
Interest income	-	15	15	-
Net non-operating revenues	-	120,226	120,226	-
Change in net assets	(5,865)	(14,054)	(19,919)	3,526
Net assets beginning of year	-	35,152	35,152	-
Net assets end of year	\$ (5,865)	21,098	15,233	3,526

See notes to financial statements.

## Moravia Community School District

Exhibit I

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Other Non- Major Fund - Enterprise - School Nutrition	Total	Internal Service - Flex Spending
<b>Cash flows from operating activities:</b>				
Cash received from sale of lunches and breakfasts	\$ -	78,081	78,081	-
Cash received from miscellaneous operating activities	-	-	-	7,853
Cash payments to employees for services	-	(99,522)	(99,522)	-
Cash payments to suppliers for goods and services	(24,588)	(91,594)	(116,182)	(4,327)
Net cash provided (used) by operating activities	(24,588)	(113,035)	(137,623)	3,526
<b>Cash flows from non-capital financing activities:</b>				
State grants received	-	1,935	1,935	-
Federal grants received	-	107,734	107,734	-
Net cash provided by non-capital financing activities	-	109,669	109,669	-
<b>Cash flows from capital and related financing activities:</b>				
Interfund loan increase	4,611	315	4,926	3,000
Principal payment on loan	(80)	-	(80)	-
Net cash provided (used) by capital and related financing activities	4,531	315	4,846	3,000
<b>Cash flows from investing activities:</b>				
Interest on investments	-	15	15	-
Net increase (decrease) in cash and cash equivalents	(20,057)	(3,036)	(23,093)	6,526
Cash and cash equivalents at beginning of year	20,057	8,978	29,035	-
Cash and cash equivalents at end of year	\$ -	5,942	5,942	6,526
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (5,865)	(134,280)	(140,145)	3,526
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	-	10,784	10,784	-
Depreciation	-	4,572	4,572	-
Decrease in accounts receivable	-	620	620	-
Decrease (Increase) in inventories	(18,723)	1,949	(16,774)	-
Increase in accounts payable	-	75	75	-
Increase in net OPEB liability	-	3,245	3,245	-
Net cash provided (used) by operating activities	\$ (24,588)	(113,035)	(137,623)	3,526

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

During the year ended June 30, 2010, the District received \$10,784 of federal commodities.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2010

**(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 the following 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 fund:

The Enterprise, Student Construction Fund is used to account for the student-built house operations of the District.

Additionally the District reports two non-major proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

#### 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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 and intangibles 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
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated/amortized 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
Intangibles	5-10 years
Furniture and equipment	5-15 years

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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, 2010, expenditures did not exceed the amounts budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$305,065, 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, certificate of deposit and stock. At June 30, 2010, the cost of the certificate of deposit and stock was \$55,174, and the fair value was \$37,255. The certificate of deposit and 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, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 540
	Proprietary:	
	School Nutrition	8,000
	Student Construction	4,611
	Internal Service - Flex Spending	<u>3,000</u>
		<u>16,151</u>
Special Revenue:		
Physical Plant and Equipment Levy	General	<u>2,009</u>
Capital Projects	General	<u>6,897</u>
	Total	<u>\$ 25,057</u>

The above either represents loans from one fund to another fund, corrective transfers that need to be made, or monies due from one fund to another fund as a result of a deficit cash balance in a pooled cash bank account.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. There were no borrowings from ISCAP activity during the year ended June 30, 2010.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 1,000	-	-	1,000
Total capital assets not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital assets being depreciated:				
Buildings	2,772,934	24,617	-	2,797,551
Improvements other than buildings	85,268	30,337	-	115,605
Furniture and equipment	564,359	114,374	4,000	674,733
Total capital assets being depreciated	<u>3,422,561</u>	<u>169,328</u>	<u>4,000</u>	<u>3,587,889</u>
Less accumulated depreciation for:				
Buildings	1,484,309	37,061	-	1,521,370
Improvements other than buildings	23,775	5,022	-	28,797
Furniture and equipment	359,552	35,082	4,000	399,634
Total accumulated depreciation	<u>1,867,636</u>	<u>77,165</u>	<u>4,000</u>	<u>1,940,801</u>
Total capital assets being depreciated, net	<u>1,554,925</u>	<u>92,163</u>	<u>-</u>	<u>1,647,088</u>
Governmental activities capital assets, net	<u>\$ 1,555,925</u>	<u>92,163</u>	<u>-</u>	<u>1,648,088</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 118,037	-	-	118,037
Less accumulated depreciation	97,209	4,572	-	101,781
Business type activities capital assets, net	<u>\$ 20,828</u>	<u>(4,572)</u>	<u>-</u>	<u>16,256</u>

Depreciation expense was charged to the following functions:

Government activities:

Instruction:

Regular \$ 1,554

Other 1,284

Support services:

Operation and maintenance of plant 17,957

Transportation 19,309

40,104

Unallocated 37,061

Total depreciation expense - governmental activities \$ 77,165

Business type activities:

Food service operations \$ 4,572

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 320,000	-	85,000	235,000	90,000
Net OPEB liability	-	155,755	-	155,755	-
<b>Total</b>	<b>\$ 320,000</b>	<b>155,755</b>	<b>85,000</b>	<b>390,755</b>	<b>90,000</b>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ -	3,245	-	3,245	-
<b>Total</b>	<b>\$ -</b>	<b>3,245</b>	<b>-</b>	<b>3,245</b>	<b>-</b>

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Bond Issue of March 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.45%	\$ 90,000	8,580	98,580
2012	3.70%	90,000	5,475	95,475
2013	3.90%	55,000	2,145	57,145
<b>Total</b>		<b>\$ 235,000</b>	<b>16,200</b>	<b>251,200</b>

(7) Short-term Loan Payable

The District's Enterprise, Student Construction Fund received a \$125,000 draw-down loan from Iowa Trust and Savings Bank on October 17, 2008, of which \$115,000 was advanced during the year ended June 30, 2009, with an interest rate of 5%. On December 14, 2009 this loan was refinanced and a new loan was obtained. The loan maximum on this new loan is \$125,000, with interest at 5%. However, as of June 30, 2010, the District has only drawn down \$114,920 of the \$125,000 maximum. Proceeds of the loan were used to construct a student-built house as part of a school program. Proceeds of the sale of the student-built house will be used to repay the bank loan. The following is a summary of the loan activity for the year:

Balance Beginning of Year	Additions	Reductions	Balance End of Year
\$115,000	114,920	115,000	\$114,920

The maturity date on this short-term loan payable is December 15, 2010.

**(8) Operating Lease**

The District has entered into an operating lease for various electronic equipment. Payments under these leases totaled \$8,170 during the fiscal year. Future minimum lease payments in relation to these leases are as follows

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 8,170
2012	<u>8,170</u>
Total	<u>\$ 16,340</u>

**(9) 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$114,414, \$139,302 and \$123,659, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

The District has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 48 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$ 173,000
Contributions made	(14,000)
Increase in net OPEB obligation	159,000
Net OPEB obligation beginning of year	—
Net OPEB obligation end of year	<u>\$ 159,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$14,000 to the medical plan. Plan members eligible for benefits contributed \$77,941, or 20% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 173,000	8.1%	\$ 159,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1.167 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.167 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.961 million and the ratio of the UAAL to covered payroll was 59.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. A modest employee turnover rate was assumed for active employees. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan are \$1,072 per month for retirees less than age 65 and \$749 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(11) 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.

**(12) 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 \$122,476 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(13) 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, 2010, the District determined that \$30,296 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
<b>Revenues:</b>							
Local sources	\$ 2,043,167	85,329	2,128,496	7,853	2,120,643	2,463,800	(343,157)
State sources	1,579,743	1,935	1,581,678	-	1,581,678	1,951,234	(369,556)
Federal sources	441,479	118,276	559,755	-	559,755	815,000	(255,245)
Total revenues	4,064,389	205,540	4,269,929	7,853	4,262,076	5,230,034	(967,958)
<b>Expenditures/Expenses:</b>							
Instruction	2,736,582	5,865	2,742,447	-	2,742,447	2,871,544	129,097
Support services	1,034,156	-	1,034,156	-	1,034,156	1,638,250	604,094
Non-instructional programs	682	216,068	216,750	4,327	212,423	430,000	217,577
Other expenditures	300,943	-	300,943	-	300,943	1,566,372	1,265,429
Total expenditures/expenses	4,072,363	221,933	4,294,296	4,327	4,289,969	6,506,166	2,216,197
Excess (deficiency) of revenues over (under) expenditures	(7,974)	(16,393)	(24,367)	3,526	(27,893)	(1,276,132)	1,248,239
Other financing sources (uses), net	1,660	-	1,660	-	1,660	1,262,500	(1,260,840)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(6,314)	(16,393)	(22,707)	3,526	(26,233)	(13,632)	(12,601)
Balances beginning of year	450,294	35,152	485,446	-	485,446	553,659	(68,213)
Balances end of year	\$ 443,980	18,759	462,739	3,526	459,213	540,027	(80,814)

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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 Internal Service, 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, 2010, expenditures did not exceed the amounts budgeted.

Moravia Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,167	1,167	0.0%	\$ 1,961	59.5%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Other Supplementary Information

## Moravia Community School District

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

	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	\$ 39,116	43,353	71,180	4,904	-	24,018	182,571
Receivables:							
Property tax:							
Delinquent	-	2,154	-	688	2,604	-	5,446
Succeeding year	-	80,000	-	26,329	98,830	-	205,159
Accounts	-	-	1,366	-	-	-	1,366
Due from other funds	-	-	-	2,009	-	6,897	8,906
Due from other governments	-	-	-	-	-	27,533	27,533
<b>Total assets</b>	<b>\$ 39,116</b>	<b>125,507</b>	<b>72,546</b>	<b>33,930</b>	<b>101,434</b>	<b>58,448</b>	<b>430,981</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	-	298	1,088	-	691	2,077
Due to other funds	-	-	-	-	540	-	540
Deferred revenue:							
Succeeding year property tax	-	80,000	-	26,329	98,830	-	205,159
<b>Total liabilities</b>	<b>-</b>	<b>80,000</b>	<b>298</b>	<b>27,417</b>	<b>99,370</b>	<b>691</b>	<b>207,776</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Debt service	-	-	-	-	2,064	-	2,064
Donor specified	30,296	-	-	-	-	-	30,296
Unreserved	8,820	45,507	72,248	6,513	-	57,757	190,845
<b>Total fund balances</b>	<b>39,116</b>	<b>45,507</b>	<b>72,248</b>	<b>6,513</b>	<b>2,064</b>	<b>57,757</b>	<b>223,205</b>
<b>Total liabilities and fund balances</b>	<b>\$ 39,116</b>	<b>125,507</b>	<b>72,546</b>	<b>33,930</b>	<b>101,434</b>	<b>58,448</b>	<b>430,981</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, 2010

	Special Revenue						Total
	Moravia Education Foundation	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Capital Projects	
<b>Revenues:</b>							
Local sources:							
Local tax	\$ -	80,877	-	25,837	97,738	188,896	393,348
Other	3,937	5,852	200,866	-	-	-	210,655
Total revenues	3,937	86,729	200,866	25,837	97,738	188,896	604,003
<b>Expenditures:</b>							
Current:							
Instruction:							
Regular	2,875	15,898	-	-	-	-	18,773
Special	-	2,344	-	-	-	-	2,344
Other	-	3,434	175,736	-	-	-	179,170
Support services:							
Student	-	458	-	-	-	-	458
Instructional staff	-	171	-	-	-	44,131	44,302
Administration	-	11,643	-	-	-	-	11,643
Operation and maintenance of plant	-	10,519	-	7,570	-	9,800	27,889
Transportation	-	6,980	-	-	-	78,680	85,660
Non-instructional programs	-	682	-	-	-	-	682
Other expenditures:							
Facilities acquisition	-	-	-	14,572	-	67,111	81,683
Long-term debt:							
Principal	-	-	-	-	85,000	-	85,000
Interest and fiscal changes	-	-	-	-	11,784	-	11,784
Total expenditures	2,875	52,129	175,736	22,142	96,784	199,722	549,388
Excess (deficiency) of revenues over (under) expenditures	1,062	34,600	25,130	3,695	954	(10,826)	54,615
Fund balances beginning of year	38,054	10,907	47,118	2,818	1,110	68,583	168,590
Fund balances end of year	\$ 39,116	45,507	72,248	6,513	2,064	57,757	223,205

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, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 38	91	-	-	129
Variety Show	2,101	2,331	2,020	-	2,412
Adopt-a-book	-	1,014	710	-	304
Vocal Music	-	449	449	-	-
Band Trip	3,328	11,520	5,625	-	9,223
Show Choir	-	43	-	-	43
Year book	(6,224)	12,472	4,094	-	2,154
Football Cheerleaders	440	888	480	-	848
Wrestling Cheerleaders	45	-	-	-	45
Drama	142	-	-	-	142
Spanish Club	182	-	182	-	-
FFA	9,840	31,731	39,298	-	2,273
FHA	1,827	454	784	-	1,497
Student Council	377	1,777	1,859	-	295
Academic Dream	-	75	159	84	-
Student Development	678	59	650	-	87
Elementary	6,895	16,422	16,337	-	6,980
Concessions	(236)	17,632	18,893	(364)	(1,861)
NHS	77	58	163	28	-
Class of 2010	5,449	4,440	9,834	-	55
Class of 2011	6,663	12,473	5,514	-	13,622
Class of 2012	4,351	6,275	1,601	-	9,025
Class of 2013	3,139	4,448	1,422	-	6,165
Class of 2014	1,273	2,238	289	-	3,222
Class of 2015	132	1,003	354	-	781
Class of 2016	-	234	230	-	4
Class of 2017	-	2,941	2,692	-	249
High School Activity	3,018	5,667	5,553	(112)	3,020
Europe	68	419	96	-	391
Computer Project	-	1,560	-	-	1,560
Speech Club	-	410	410	-	-
Boys Track	(364)	-	-	364	-
Athletics	1,434	29,605	30,821	-	218
Junior High Athletics	83	738	818	-	3
Boys Basketball	663	3,252	2,998	-	917
High School Football	(2,534)	7,691	3,679	-	1,478
Baseball	486	3,609	1,764	-	2,331
Wrestling	346	40	200	-	186
Construction	329	-	-	-	329
Girls Basketball	222	998	562	-	658
Volleyball	1,460	2,281	1,671	-	2,070
Softball	763	9,472	9,620	-	615
Cross Country	189	145	161	-	173
Girls Track	438	693	992	-	139
Golf	-	3,218	2,752	-	466
<b>Total</b>	<b>\$ 47,118</b>	<b>200,866</b>	<b>175,736</b>	<b>-</b>	<b>72,248</b>

See accompanying independent auditor's report.

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

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
<b>Local sources:</b>							
Local tax	\$1,437,914	1,351,362	1,280,131	1,228,530	1,098,441	980,208	914,345
Tuition	362,679	301,352	222,893	289,844	250,341	268,743	242,808
Other	242,574	205,313	204,157	230,243	211,508	324,919	161,032
Intermediate sources	-	-	-	-	-	61,103	37,477
State sources	1,579,743	1,878,423	1,664,519	1,586,760	1,552,826	1,438,737	1,463,061
Federal sources	441,479	252,528	172,633	248,164	320,572	154,496	203,558
<b>Total</b>	<b>\$4,064,389</b>	<b>3,988,978</b>	<b>3,544,333</b>	<b>3,583,541</b>	<b>3,433,688</b>	<b>3,228,206</b>	<b>3,022,281</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular	\$1,664,066	1,603,477	1,548,758	1,355,157	1,296,673	1,436,641	1,322,066
Special	541,244	530,048	331,114	398,202	313,993	401,792	299,730
Other	531,272	589,668	566,413	489,379	510,474	347,552	430,728
<b>Support services:</b>							
Student	74,262	13,846	90,307	85,143	81,765	80,185	72,891
Instructional staff	93,135	85,674	29,639	58,090	75,068	40,678	44,222
Administration	410,919	416,614	436,077	459,719	441,552	430,681	398,037
Operation and maintenance of plant	207,547	224,937	247,452	221,922	196,670	217,573	221,807
Transportation	248,293	186,508	194,660	137,340	191,623	142,213	164,001
Non-instructional programs	682	475	482	457	618	495	400
<b>Other expenditures:</b>							
Facilities acquisition	81,683	102,337	230,147	58,392	267,315	53,081	3,364
<b>Long-term debt:</b>							
Principal	85,000	85,000	85,000	80,000	75,000	79,676	74,883
Interest and other charges	11,784	14,378	16,935	18,634	20,435	22,830	34,948
AEA flowthrough	122,476	111,392	103,255	96,106	91,933	87,761	89,358
<b>Total</b>	<b>\$4,072,363</b>	<b>3,964,354</b>	<b>3,880,239</b>	<b>3,458,541</b>	<b>3,563,119</b>	<b>3,341,158</b>	<b>3,156,435</b>

See accompanying independent auditor's report.

Moravia Community School District  
 Schedule of Expenditures of Federal Awards

Schedule 5

Year ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Impact Aid	84.041	FY10	\$ 58,909
Rural Education	84.358	FY10	22,115
Subtotal - Direct			81,024
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	21,622
National School Lunch Program	10.555	FY10	88,811 *
Summer Food Service Program for Children	10.559	FY10	7,844
			118,277
U.S. Department of Defense:			
Appanoose County:			
Flood Control Projects	12.106	FY10	8,960
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	58,665
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	32,460
			91,125
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	1,091
Improving Teacher Quality State Grants	84.367	FY10	21,200
Grants for State Assessments and Related Activities	84.369	FY10	2,158
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	142,401
Albia Community School District:			
Career and Technical Education -- Basic Grants to States	84.048	FY10	4,298
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY10	17,999 **
Special Education - Preschool Grants	84.173	FY10	643 **
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	39,372 **
Subtotal - Indirect			447,524
Total			\$ 528,548

\* - Includes \$10,784 of non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$58,014.

**Basis of Presentation** - The Schedule of Expenditure of Federal Awards includes the federal grant activity of Moravia Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2011. 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 an 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10, II-D-10, II-E-10, II-F-10, II-G-10 and II-H-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

## 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities, and 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 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 15, 2011

PEAK & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1370 NW 114<sup>TH</sup> ST., SUITE 205  
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Independent Auditor's Report on Compliance with Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal  
Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Moravia Community School District:

Compliance

We have audited Moravia Community School District's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Moravia Community School District's major federal programs for the year ended June 30, 2010. Moravia School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Moravia Community School District's management. Our responsibility is to express an opinion on Moravia Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Moravia Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Moravia Community School District's compliance with those requirements.

In our opinion, Moravia Community School District compiled, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Moravia community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Moravia Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Moravia Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10 and III-B-10 to be material weaknesses.

Moravia Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 Moravia Community School District and other parties to whom Moravia Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Peak & Co., LLP  
Certified Public Accountants

January 15, 2011

Moravia Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act.
  - CFDA Number 84.041 – Impact Aid
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Moravia Community School District did not qualify as a low-risk auditee.

Moravia Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 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 bank deposit. 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.

II-B-10 Disbursements – 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 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 invoices exist for all disbursements prior to payment. In addition, the Board President will sign the list of approved bills.

Conclusion – Response accepted.

II-C-10 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 computer project account reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

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.

Moravia Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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.

II-D-10 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.

II-E-10 Receipts – Pre-numbered receipt slips were not issued for some Activity Fund receipts. In addition, some Activity Fund receipts were not deposited to the bank on a timely basis.

Recommendation – Pre-numbered receipt slips should be issued for all Activity Fund receipts, and all receipts should be deposited to the bank on a timely basis or when cash and checks on hand exceed \$100.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

II-F-10 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.

Moravia Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

Conclusion – Response acknowledged.

II-G-10 Accounting Records – The District’s bank reconciliations were not accurate at times during the year. The reconciled bank balances as noted on the bank reconciliations did not agree with the book balances. In fact, the reconciled bank balances and the book balances differed by approximately \$14,000 as of December 2009. To correct this difference the District “plugged” this amount to balance the bank with the books. As a result, the Board has not been receiving accurate financial information through at least December 2009. 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. This situation has been reported in the audit report for several years now.

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 have implemented this recommendation beginning in January, 2010.

Conclusion – Response accepted.

II-H-10 Journal Entries – The District made several adjusting journal entries with an effective date of June 30, 2010. These adjusting journal entries were made because the District did not properly record revenues and expenditures during the year; therefore, the District had to make adjustments as of June 30, 2010 to correct these errors in recording. However, in some cases, the District did not retain documentation as to why these adjusting journal entries were made. As a result, the District is unable to show that some of the adjusting journal entries made are accurate and can be adequately supported.

Recommendation – The District retain documentation to support all adjusting journal entries made to the accounting records.

Response – We will implement this recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Moravia Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program and**  
**CFDA Number 10.559: Summer Food Service Program for Children**  
**Federal Award Year: 2010**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act**  
**Federal Award Year: 2010**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

**CFDA Number 84.041: Impact Aid**  
**Federal Award Year: 2010**  
**U.S. Department of Education**

III-A-10 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 bank deposit. 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 and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act**  
**Federal Award Year: 2010**  
**U.S. Department of Education**  
**Passed through the Iowa Department of Education**

III-B-10 ARRA Reporting and Accounting – During our review, we noted that cumulative expenditures to date as reported on the ARRA reports for the first three quarters of the fiscal year did not agree with cumulative expenditures to date as recorded on the District’s general ledger. In addition, the District did not identify costs charged to ARRA funds until our inquiry.

Recommendation – The District reconcile its ARRA quarterly reports with the general ledger to ensure amounts reconcile prior to submission of the quarterly reports. In addition, the District should keep records of the costs charged to ARRA funds.

Response and Corrective Action Planned – We have begun to do this in fiscal year 2011, so this should no longer be an issue.

Conclusion – Response accepted.

Moravia Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2010

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

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010, did not exceed the certified budget.

IV-B-10 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.

IV-C-10 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.

IV-D-10 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$1,182

In accordance with Attorney General’s opinion dated July 2, 1990, and an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes – One invoice tested was not published in the newspaper, as required by Chapter 279.35 of the Code of Iowa.

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.

Recommendation – All invoices approved by the Board should be published as required by Chapter 279.35 of the Code of Iowa. 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.

Moravia Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-G-10 Certified Enrollment – The total students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2009 was overstated by .6 students.

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

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

Conclusion – Response accepted.

IV-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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.

IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education. However we noted variances between the amounts reported on the Certified Annual Report and the financial statements.

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

Response – We will implement this recommendation.

Conclusion – Response accepted.

IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, the District did not record revenues and expenditures related to categorical funding until the end of the fiscal year. The Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears that the District is not in compliance with the Department of Education requirements. For several of the categorical funding programs, the District is unable to document the specific costs paid for with categorical funding receipts. This procedure does not appear to be in compliance with the Department of Education requirements.

Recommendation – The District should contact the Iowa Department of Education regarding corrective action to be taken.

Moravia Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2010

Response – We will implement this recommendation.

Conclusion – Response accepted.

IV-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 68,583
Statewide sales, services and use tax revenue		188,896
Expenditures/transfers out:		
School infrastructure:		
Land	\$ -	
Buildings	24,617	
Equipment	125,653	
Other improvements	49,452	199,722
Ending balance		\$ 57,757

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 2.40882	\$ 188,896

IV-M-10 Payroll Issues – Some I-9's and W4's were missing or incomplete. Our review noted that it appears some individuals were over paid and instances were noted where employee contracts were not always located. An employee time sheet could not be located. It appears the District is not keeping a perpetual record of leave taken, earned and balances.

Some employee compensation is paid as a vendor instead of paid as payroll, even though all compensation should be paid as payroll. In some cases it appears the District did not withhold the proper amount from employee paychecks for insurance. Other instances were noted where written authorization was not obtained for employee payroll deductions.

Moravia Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

Recommendation – The District should ensure the I-9 and W4 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. Employee time sheets should be retained, and the District should keep perpetual leave records. The District should ensure that all employee compensation is paid as payroll. In addition, the District should ensure that written authorization is obtained for all employee payroll deductions, and that the payroll deductions are proper in amount.

Response – We will implement the above recommendations.

Conclusion – Response accepted.

IV-N-10 Financial Condition – One student activity account had a deficit balance at June 30, 2010. In addition, the Enterprise, Student Construction Fund had a deficit balance of \$5,865 as June 30, 2010.

Recommendation – The District should continue to monitor the deficit student activity account and the Enterprise, Student Construction Fund and investigate alternatives to eliminate these deficits.

Response – We will continue to monitor this account and fund and investigate alternatives to return this account and fund to a sound financial position.

Conclusion – Response accepted.

IV-O-10 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.

IV-P-10 Moravia Education Foundation – A double entry accounting system is not used by the Foundation. Some checks for scholarships are made payable to the students and not to the college or university. The Foundation does not have coherent records of scholarships awarded but not paid as of June 30, 2010.

Recommendation – The Foundation implement a double entry accounting system, make all scholarship checks payable to the college or university, and keep records of scholarships awarded but not paid.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

Moravia Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

IV-Q-10 Compliance Issues – In some instances the District paid sales tax on purchases. IRS 1099-Misc. forms were not issued to two vendors as required by IRS regulations. The District transferred school funds to a non-profit organization. It would appear that this transfer to a non-profit organization is not an appropriate use of public funds. The District did not hold a public hearing or obtain Board approval to renew a loan, as required by the Code of Iowa. This loan was for the Student Construction Program.

Recommendation - The District discontinue the payment of sales tax on purchases, and ensure IRS 1099-Misc. forms are issued as required. The District should not transfer funds to a non-profit organization, and follow the Code of Iowa requirements in relation to loan transactions.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

IV-R-10 General Fixed Assets – The District does not have a coherent record of a listing of general fixed assets. As a result, the District is unable to compare the general fixed assets on hand with the listing of general fixed assets. For insurance and security purposes, general fixed assets should be periodically counted and reconciled to the general fixed asset listing by an independent person.

Recommendation – A general fixed asset listing should be maintained. The general fixed assets should then be periodically counted and reconciled to the general fixed asset listing by a person who does not have custody of the general fixed assets.

Response – We will implement these recommendations.

Conclusion – Response accepted.

IV-S-10 Miscellaneous – As of June 30, 2010, \$1,145 is due from the Special Revenue, Management Levy Fund to the Special Revenue, Physical Plant and Equipment Levy Fund. The District paid for some maintenance costs, and for some equipment from the Special Revenue, Physical Plant and Equipment Levy Fund and the Capital Projects Fund which individually cost less than \$500 per unit. Based on Section 298.3 of the Code of Iowa, it does not appear that these types of expenses are an allowable use of these funds. Because the District did not timely apply for Impact Aid Funds, the District did not receive \$2,292 in Impact Aid Funds from the federal government.

Recommendation – The above transfer should be made. In the future, the District should ensure that all disbursements are changed to the appropriate funds. Also, the District should timely apply for Impact Aid Funds from the federal government.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Moravia Community School District

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2010

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-10	Segregation of Duties.	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Christina Bickel Business Manager (641)774-3311	Immediately
III-B-10	ARRA Reporting and Accounting.	The business manager will review the ARRA quarterly reports and general ledger to ensure amounts reconcile prior to the submission of the report.	Christina Bickel Business Manager (641)774-3311	Effective with the third quarter 2010 report.

Moravia Community School District

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

None – There were no audit findings related to federal funds in the prior audit.