

MORAVIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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

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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<hr/>		
Board of Education		
(Before September, 2011 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
<hr/>		
Board of Education		
(After September, 2011 Election)		
Steve Smith	President	2015
Chris Spencer	Vice-President	2013
John Houser	Board Member	2013
Heather Marletta	Board Member	2015
John Baty	Board Member	2015
<hr/>		
School Officials		
Brad Breon	Superintendent	2012
Christina Bickel	District Secretary/Treasurer/ Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Moravia Community School District

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114th ST., SUITE 205
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, 2012, 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, 2012, 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 February 15, 2013 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 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP

Peak & Co., LLP
Certified Public Accountants

February 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,782,517 in fiscal year 2011 to \$4,034,140 in fiscal year 2012, while General Fund expenditures increased from \$3,663,244 in fiscal year 2011 to \$3,741,004 in fiscal year 2012. The District's General Fund balance increased from \$340,048 at the end of fiscal year 2011 to \$632,440 at the end of fiscal year 2012, an 86% increase.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal year 2011 to fiscal year 2012, revenue increased \$251,623. After several years of expenditures exceeding revenues in the General Fund, in fiscal 2012 our revenues exceeded expenditures.

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 financial 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.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major internal service funds.

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

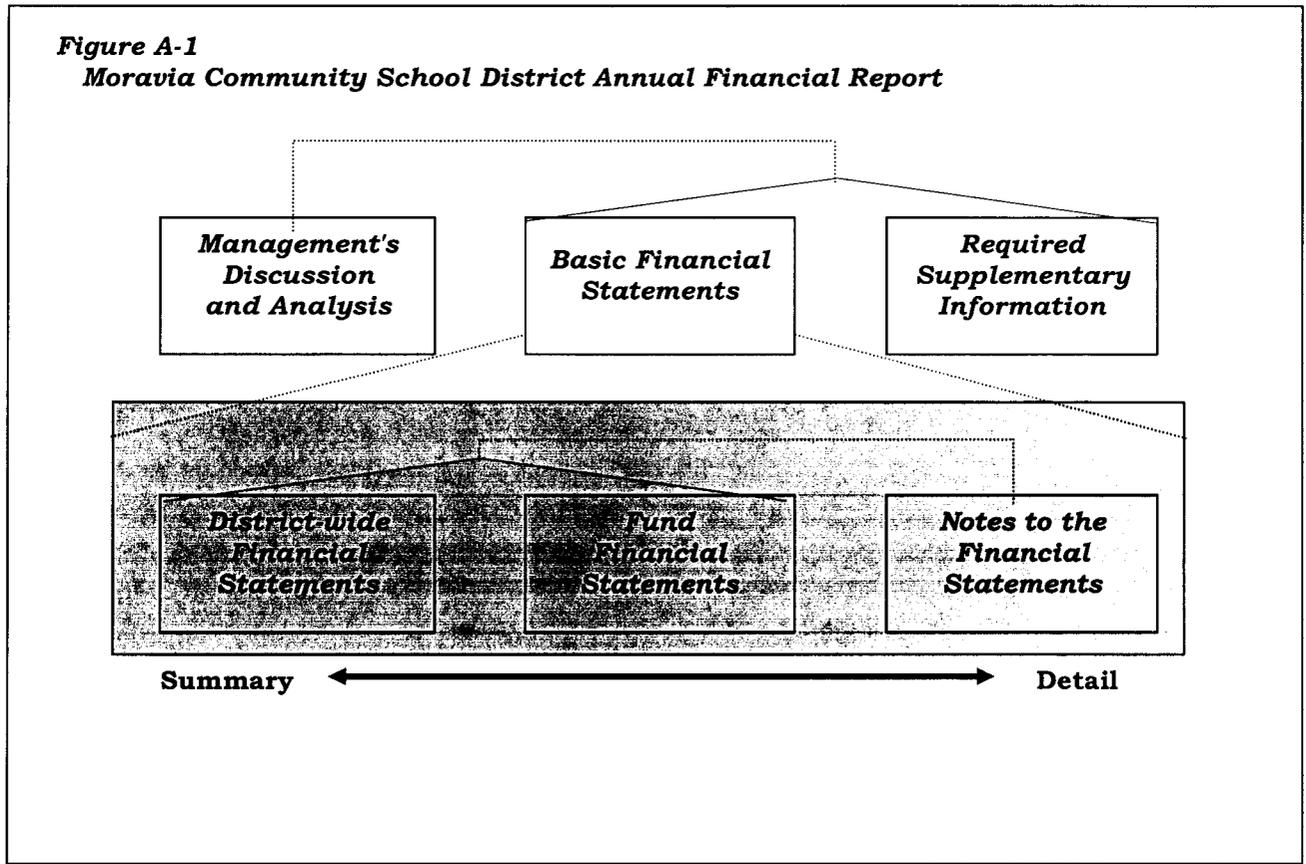


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student construction	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide service for other District programs and activities. The District currently has two Internal Service Funds, the Flexible Spending Fund and the Health Insurance 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, 2012 compared to June 30, 2011.

Figure A-3							
Combined Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 2,516	2,174	175	135	2,691	2,309	16.5%
Capital assets	1,875	1,698	21	14	1,896	1,712	10.7%
Total assets	<u>4,391</u>	<u>3,872</u>	<u>196</u>	<u>149</u>	<u>4,587</u>	<u>4,021</u>	<u>14.1%</u>
Long-term liabilities	566	457	124	121	690	578	19.4%
Other liabilities	1,525	1,332	19	14	1,544	1,346	14.7%
Total liabilities	<u>2,091</u>	<u>1,789</u>	<u>143</u>	<u>135</u>	<u>2,234</u>	<u>1,924</u>	<u>16.1%</u>
Net assets							
Invested in capital assets							
net of related debt	1,820	1,553	21	14	1,841	1,567	17.5%
Restricted	355	379	-	-	355	379	-6.3%
Unrestricted	125	151	32	-	157	151	4.0%
Total net assets	<u>\$ 2,300</u>	<u>2,083</u>	<u>53</u>	<u>14</u>	<u>2,353</u>	<u>2,097</u>	<u>12.2%</u>

The District's combined net assets increased nearly 12.2%, or approximately \$256,000, 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 decreased approximately \$24,000, or 6.3% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$6,000, or 4%. The increase in unrestricted net assets was primarily an increase in revenues in the Proprietary – School Nutrition Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 689	615	83	81	772	696	10.9%
Operating grants, contributions and restricted interest	702	767	159	139	861	906	-5.0%
Capital grants, contributions and restricted interest	-	-	10	-	10	-	100.0%
General revenues:							
Property tax	1,271	1,175	-	-	1,271	1,175	8.2%
Income surtax	-	124	-	-	-	124	-100.0%
Statewide sales, services and use tax	255	227	-	-	255	227	12.3%
Unrestricted state grants	1,565	1,514	-	-	1,565	1,514	3.4%
Unrestricted investment earnings	-	1	-	-	-	1	-100.0%
Insurance proceeds	-	3	-	-	-	3	-100.0%
Other	104	10	-	-	104	10	940.0%
Total revenues	<u>4,586</u>	<u>4,436</u>	<u>252</u>	<u>220</u>	<u>4,838</u>	<u>4,656</u>	<u>3.9%</u>
Program expenses:							
Governmental activities:							
Instruction	3,004	2,825	7	7	3,011	2,832	6.3%
Support services	1,210	1,136	-	-	1,210	1,136	6.5%
Non-instructional programs	1	1	206	214	207	215	-3.7%
Other expenses	187	224	-	-	187	224	-16.5%
Total expenses	<u>4,402</u>	<u>4,186</u>	<u>213</u>	<u>221</u>	<u>4,615</u>	<u>4,407</u>	<u>4.7%</u>
Increase (decrease) in net assets	184	250	39	(1)	223	249	-10.4%
Net assets beginning of year, as restated	<u>2,116</u>	<u>1,833</u>	<u>14</u>	<u>15</u>	<u>2,130</u>	<u>1,848</u>	<u>15.3%</u>
Net assets end of year	<u>\$ 2,300</u>	<u>2,083</u>	<u>53</u>	<u>14</u>	<u>2,353</u>	<u>2,097</u>	<u>12.2%</u>

In fiscal 2012, property tax and unrestricted state grants account for 61.8% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest account for 96% of the revenue from the business type activities. The Districts total revenues were approximately \$4.8 million of which approximately \$4.6 million was for governmental activities and approximately \$252,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 3.9% increase in revenues and a 4.7% increase in expenses. Property tax and unrestricted state grants increased approximately \$96,000 and \$51,000, 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 \$4,585,543 and expenses were \$4,401,768 for the year ended June 30, 2012. In a difficult budget year, the District’s financial position increased due to decisions made by the District to control spending to match available resources.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change	2012	2011	Change
			2011-2012			2011-2012
Instruction	\$ 3,004	2,825	6.3%	1,747	1,594	9.6%
Support services	1,210	1,136	6.5%	1,203	1,117	7.7%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	187	224	-16.5%	60	92	-34.8%
Total	<u>\$ 4,402</u>	<u>4,186</u>	<u>5.2%</u>	<u>3,011</u>	<u>2,804</u>	<u>7.4%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District’s programs was \$688,507.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$702,375.
- The net cost of governmental activities was financed with \$1,525,306 in property and other tax, including local option sales and services tax, and \$1,565,228 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$251,760, representing a 14.5% increase over the prior year while expenses totaled \$213,173, a 3.3% decrease under 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, 2012, 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 \$942,303, above last year's ending fund balances of \$687,928. The primary reason for the increase was the result of revenues in excess of expenditures in the General Fund in fiscal year 2012.

Governmental Fund Highlights

The General Fund balance increased from \$340,048 to \$632,440 is partially due to reduced spending, as well as sharing Art, Business, Family Consumer Science, and part-time Librarian with neighboring districts.

Proprietary Fund Highlights

School Construction Fund net assets decreased from (\$12,803) at June 30, 2011 to (\$19,576) at June 30, 2012. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1.9 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 10.7% 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 \$97,715.

The original cost of the District's capital assets was approximately \$4.1 million. Governmental funds account for approximately \$4.0 million, with the remainder of approximately \$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 transportation equipment and adjacent land with storage units. The majority of improvements include repairs to the parking lot, lowering the ceiling in the high school wing, flooring for the high school office, remodel done in the high school restrooms, remodel done in the Home Economics room and remodel of the Science Lab, as well as softball, baseball, and football 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,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 13	1	-	-	13	1	1200.0%
Construction in progress	-	7	-	-	-	7	-100.0%
Buildings	1,313	1,296	-	-	1,313	1,296	1.3%
Improvements other than buildings	266	111	-	-	266	111	139.6%
Furniture and equipment	283	283	21	14	304	297	2.4%
Totals	\$ 1,875	1,698	21	14	1,896	1,712	10.7%

Long-Term Debt

At June 30, 2012, the District had \$690,098 in total long-term debt outstanding. This represents an increase of approximately 19% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Notes 6 and 7 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$ 55	145	-62.1%
Early retirement	50	-	100.0%
Short-term note payable	115	115	0.0%
Net OPEB liability	470	318	47.8%
Totals	<u>\$ 690</u>	<u>578</u>	<u>19.4%</u>

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.
- 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 continue getting 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

Moravia Community School District

Exhibit A

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 966,048	44,184	1,010,232
Receivables:			
Property tax:			
Delinquent	33,462	-	33,462
Succeeding year	1,313,535	-	1,313,535
Accounts	3,998	-	3,998
Due from other funds	18,402	-	18,402
Due from other governments	180,551	14,798	195,349
Inventories	-	116,460	116,460
Capital assets, net of accumulated depreciation	1,874,787	21,138	1,895,925
Total assets	4,390,783	196,580	4,587,363
Liabilities			
Accounts payable	23,801	-	23,801
Salaries and benefits payable	180,336	798	181,134
Due to other governments	7,191	-	7,191
Due to other funds	-	18,402	18,402
Accrued interest payable	179	-	179
Deferred revenue:			
Succeeding year property tax	1,313,535	-	1,313,535
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	55,000	-	55,000
Loan	-	114,840	114,840
Early retirement payable	50,000	-	50,000
Portion due after one year:			
Net OPEB liability	460,853	9,405	470,258
Total liabilities	2,090,895	143,445	2,234,340
Net assets			
Invested in capital assets, net of related debt	1,819,787	21,138	1,840,925
Restricted:			
Nonexpendable:			
Education foundation	29,694	-	29,694
Expendable:			
Categorical funding	38,354	-	38,354
Education foundation purposes	8,203	-	8,203
Management levy purposes	115,466	-	115,466
Student activities	80,511	-	80,511
School infrastructure	82,356	-	82,356
Debt service	1,022	-	1,022
Unrestricted	124,495	31,997	156,492
Total net assets	\$ 2,299,888	53,135	2,353,023

See notes to financial statements.

Statement of Activities

Year ended June 30, 2012

	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
Functions / Programs:							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,016,200	413,421	440,028	-	(1,162,751)	-	(1,162,751)
Special instruction	370,953	28,663	127,740	-	(214,550)	-	(214,550)
Other instruction	617,169	239,864	7,658	-	(369,647)	-	(369,647)
	<u>3,004,322</u>	<u>681,948</u>	<u>575,426</u>	<u>-</u>	<u>(1,746,948)</u>	<u>-</u>	<u>(1,746,948)</u>
Support services:							
Student	107,335	-	-	-	(107,335)	-	(107,335)
Instructional staff	180,088	-	-	-	(180,088)	-	(180,088)
Administration	451,681	-	-	-	(451,681)	-	(451,681)
Operation and maintenance of plant	295,255	6,091	-	-	(289,164)	-	(289,164)
Transportation	175,632	468	-	-	(175,164)	-	(175,164)
	<u>1,209,991</u>	<u>6,559</u>	<u>-</u>	<u>-</u>	<u>(1,203,432)</u>	<u>-</u>	<u>(1,203,432)</u>
Non-instructional programs	515	-	-	-	(515)	-	(515)
Other expenditures:							
Facilities acquisition	13,829	-	-	-	(13,829)	-	(13,829)
Long-term debt interest	5,698	-	16	-	(5,682)	-	(5,682)
AEA flowthrough	126,933	-	126,933	-	-	-	-
Depreciation (unallocated)*	40,480	-	-	-	(40,480)	-	(40,480)
	<u>186,940</u>	<u>-</u>	<u>126,949</u>	<u>-</u>	<u>(59,991)</u>	<u>-</u>	<u>(59,991)</u>
Total governmental activities	<u>4,401,768</u>	<u>688,507</u>	<u>702,375</u>	<u>-</u>	<u>(3,010,886)</u>	<u>-</u>	<u>(3,010,886)</u>
Business type activities:							
Instruction:							
Other instruction	6,773	-	-	-	-	(6,773)	(6,773)
Non-instructional programs:							
Food service operations	206,400	82,717	159,369	9,658	-	45,344	45,344
Total business type activities	<u>213,173</u>	<u>82,717</u>	<u>159,369</u>	<u>9,658</u>	<u>-</u>	<u>38,571</u>	<u>38,571</u>
Total	<u>\$ 4,614,941</u>	<u>771,224</u>	<u>861,744</u>	<u>9,658</u>	<u>(3,010,886)</u>	<u>38,571</u>	<u>(2,972,315)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,146,619	-	1,146,619
Debt service					95,656	-	95,656
Capital outlay					28,319	-	28,319
Statewide sales, services and use tax					254,712	-	254,712
Unrestricted state grants					1,565,228	-	1,565,228
Unrestricted investment earnings					467	16	483
Other					103,660	-	103,660
Total general revenues					<u>3,194,661</u>	<u>16</u>	<u>3,194,677</u>
Change in net assets					183,775	38,587	222,362
Net assets beginning of year, as restated					2,116,113	14,548	2,130,661
Net assets end of year					<u>\$ 2,299,888</u>	<u>53,135</u>	<u>2,353,023</u>

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

See notes to financial statements.

Moravia Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	General	Nonmajor	Total
Assets			
Cash and pooled investments	\$ 665,178	258,236	923,414
Receivables:			
Property tax:			
Delinquent	28,224	5,238	33,462
Succeeding year	1,203,097	110,438	1,313,535
Accounts	-	3,998	3,998
Due from other funds	28,033	-	28,033
Due from other governments	124,056	56,495	180,551
Total assets	\$2,048,588	434,405	2,482,993
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,328	4,473	23,801
Salaries and benefits payable	180,336	-	180,336
Due to other governments	7,191	-	7,191
Due to other funds	-	9,631	9,631
Deferred revenue:			
Succeeding year property tax	1,203,097	110,438	1,313,535
Other	6,196	-	6,196
Total liabilities	1,416,148	124,542	1,540,690
Fund balances:			
Nonspendable-Education foundation	-	29,694	29,694
Restricted for:			
Categorical funding	38,354	-	38,354
Education foundation purposes	-	8,203	8,203
Management levy purposes	-	115,466	115,466
Student activities	-	80,511	80,511
Debt service	-	1,022	1,022
School infrastructure	-	82,356	82,356
Unassigned	594,086	(7,389)	586,697
	632,440	309,863	942,303
Total liabilities and fund balances	\$2,048,588	434,405	2,482,993

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, 2012

Total fund balances of governmental funds (page 20) \$ 942,303

*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. 1,874,787

The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and health insurance plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 42,634

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 6,196

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. (179)

Long-term liabilities, including general obligation bonds payable, early retirement payable and other post-employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (565,853)

Net assets of governmental activities (page 18) \$ 2,299,888

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, 2012

	General	Nonmajor	Total
Revenues:			
Local sources:			
Local tax	\$ 1,201,187	453,467	1,654,654
Tuition	459,136	-	459,136
Other	14,112	244,515	258,627
State sources	2,111,979	154	2,112,133
Federal sources	247,726	-	247,726
Total revenues	4,034,140	698,136	4,732,276
Expenditures:			
Current:			
Instruction:			
Regular	1,870,060	12,531	1,882,591
Special	356,592	2,239	358,831
Other	361,537	246,580	608,117
	2,588,189	261,350	2,849,539
Support services:			
Student	100,666	609	101,275
Instructional staff	68,480	120,023	188,503
Administration	421,666	10,319	431,985
Operation and maintenance of plant	214,037	141,514	355,551
Transportation	221,033	6,144	227,177
	1,025,882	278,609	1,304,491
Non-instructional programs	-	515	515
Other expenditures:			
Facilities acquisition	-	100,448	100,448
Long-term debt:			
Principal	-	90,000	90,000
Interest and fiscal charges	-	5,975	5,975
AEA flowthrough	126,933	-	126,933
	126,933	196,423	323,356
Total expenditures	3,741,004	736,897	4,477,901
Excess (deficiency) of revenues over (under) expenditures	293,136	(38,761)	254,375
Other financing sources (uses):			
Operating transfers in	-	744	744
Operating transfers out	(744)	-	(744)
Total other financing sources (uses)	(744)	744	-
Net change in fund balances	292,392	(38,017)	254,375
Fund balances beginning of year	340,048	347,880	687,928
Fund balances end of year	\$ 632,440	309,863	942,303

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, 2012

Net change in fund balances - total governmental funds (page 22) **\$ 254,375**

*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	\$ 272,375	
Depreciation expense	<u>(95,126)</u>	177,249

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (146,733)

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. 90,000

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 277

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

Early retirement	(50,000)	
Other postemployment benefits	<u>(148,477)</u>	(198,477)

The Internal Service fund is used by management to charge the costs of partial self funding of the District's flexible spending plan and the health insurance plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 7,084

Change in net assets of governmental activities (page 19) **\$ 183,775**

See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service
Assets				
Cash and cash equivalents	\$ -	44,184	44,184	42,634
Due from other governments	-	14,798	14,798	-
Inventories	113,666	2,794	116,460	-
Capital assets, net of accumulated depreciation	-	21,138	21,138	-
Total assets	113,666	82,914	196,580	42,634
Liabilities				
Salaries and benefits payable	-	798	798	-
Due to other funds	18,402	-	18,402	-
Loan payable	114,840	-	114,840	-
Net OPEB liability	-	9,405	9,405	-
Total liabilities	133,242	10,203	143,445	-
Net Assets				
Invested in capital assets	-	21,138	21,138	-
Unrestricted	(19,576)	51,573	31,997	42,634
Total net assets	\$ (19,576)	72,711	53,135	42,634

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, 2012

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service
Operating revenues:				
Local sources:				
Charges to operating funds	\$ -	-	-	355,356
Charges for service	-	82,717	82,717	-
Charges to employees and others	-	-	-	88,563
Total operating revenues	-	82,717	82,717	443,919
Operating expenses:				
Instruction:				
Other instruction	6,773	-	6,773	-
	6,773	-	6,773	-
Non-instructional programs:				
Salaries	-	60,091	60,091	-
Benefits	-	19,701	19,701	-
Purchased services	-	406	406	-
Supplies	-	123,613	123,613	-
Insurance premiums	-	-	-	390,372
Medical claims	-	-	-	31,949
Flexible spending claims	-	-	-	8,113
Administrative fees	-	-	-	6,484
Depreciation	-	2,589	2,589	-
	-	206,400	206,400	436,918
Total operating expenses	6,773	206,400	213,173	436,918
Operating income (loss)	(6,773)	(123,683)	(130,456)	7,001
Non-operating revenues:				
State sources	-	2,058	2,058	-
Federal sources	-	157,311	157,311	-
Interest income	-	16	16	83
Net non-operating revenues	-	159,385	159,385	83
Change in net assets before other financing sources	(6,773)	35,702	28,929	7,084
Other financing sources:				
Capital contributions	-	9,658	9,658	-
Change in net assets	(6,773)	45,360	38,587	7,084
Net assets beginning of year, as restated	(12,803)	27,351	14,548	35,550
Net assets end of year	\$ (19,576)	72,711	53,135	42,634

See notes to financial statements.

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Business-Type Activities			Governmental Activities
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ -	82,717	82,717	-
Cash received from miscellaneous operating activities	-	-	-	-
Cash received from operating fund reimbursements	-	-	-	355,356
Cash received from employees and others	-	-	-	88,563
Cash payments to suppliers for services	-	-	-	(436,918)
Cash payments to employees for services	-	(75,964)	(75,964)	-
Cash payments to suppliers for goods and services	(6,820)	(117,510)	(124,330)	-
Net cash provided (used) by operating activities	<u>(6,820)</u>	<u>(110,757)</u>	<u>(117,577)</u>	<u>7,001</u>
Cash flows from non-capital financing activities:				
State grants received	-	2,058	2,058	-
Federal grants received	-	149,149	149,149	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>151,207</u>	<u>151,207</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Interfund loan increase (decrease)	6,773	(2,000)	4,773	(3,000)
Principal increase on loan	47	-	47	-
Net cash provided (used) by capital and related financing activities	<u>6,820</u>	<u>(2,000)</u>	<u>4,820</u>	<u>(3,000)</u>
Cash flows from investing activities:				
Interest on investments	-	16	16	83
Net increase in cash and cash equivalents	-	38,466	38,466	4,084
Cash and cash equivalents at beginning of year	-	5,718	5,718	38,550
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>44,184</u>	<u>44,184</u>	<u>42,634</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (6,773)	(123,683)	(130,456)	7,001
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Commodities used	-	6,422	6,422	-
Depreciation	-	2,589	2,589	-
Decrease in inventories	-	87	87	-
(Decrease) in accounts payable	(47)	-	(47)	-
Increase in salaries and benefits payable	-	798	798	-
Increase in net OPEB liability	-	3,030	3,030	-
Net cash provided (used) by operating activities	<u>\$ (6,820)</u>	<u>(110,757)</u>	<u>(117,577)</u>	<u>7,001</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$6,422 of federal commodities.

During the year ended June 30, 2012, the District received \$9,658 in contributed capital from the Capital Projects Fund.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2012

(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 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 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary funds:

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

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

Additionally the District reports two non-major proprietary funds. The Internal Service, Flexible Spending Fund is utilized to account for employee flexible benefits. The Internal Service, Health Insurance Fund is used to account for costs associated with the District's partial self-funded health insurance program. The Internal Service Funds are 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.

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

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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 teachers and other District personnel 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds and income surtax 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 and unspent grant proceeds.

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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the support services function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$45,181, pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment on the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

The Foundation invests in a checking account, certificate of deposit and stock. At June 30, 2012, the cost of the certificate of deposit and stock was \$55,174, and the fair value was \$34,609. 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, 2012 are as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 8,135
	Debt Service	1,496
	Proprietary: Student Construction	<u>18,402</u>
	Total	<u>\$ 28,033</u>

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

(4) Interfund Transfer

The detail of the interfund transfer for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	<u>\$ 744</u>
	Total	<u>\$ 744</u>

The above transfer was a corrective transfer.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,000	11,448	-	12,448
Construction in progress	6,662	-	6,662	-
Total capital assets not being depreciated	<u>7,662</u>	<u>11,448</u>	<u>6,662</u>	<u>12,448</u>
Capital assets being depreciated:				
Buildings	2,856,351	57,396	-	2,913,747
Improvements other than buildings	145,937	164,289	-	310,226
Furniture and equipment	760,968	45,904	33,500	773,372
Total capital assets being depreciated	<u>3,763,256</u>	<u>267,589</u>	<u>33,500</u>	<u>3,997,345</u>
Less accumulated depreciation for:				
Buildings	1,560,099	40,479	-	1,600,578
Improvements other than buildings	35,336	9,111	-	44,447
Furniture and equipment	477,945	45,536	33,500	489,981
Total accumulated depreciation	<u>2,073,380</u>	<u>95,126</u>	<u>33,500</u>	<u>2,135,006</u>
Total capital assets being depreciated, net	<u>1,689,876</u>	<u>172,463</u>	<u>-</u>	<u>1,862,339</u>
Governmental activities capital assets, net	<u>\$ 1,697,538</u>	<u>183,911</u>	<u>6,662</u>	<u>1,874,787</u>
Business type activities:				
Furniture and equipment	\$ 118,037	9,657	-	127,694
Less accumulated depreciation	<u>103,967</u>	<u>2,589</u>	<u>-</u>	<u>106,556</u>
Business type activities capital assets, net	<u>\$ 14,070</u>	<u>7,068</u>	<u>-</u>	<u>21,138</u>

Depreciation expense was charged to the following functions:

Government activities:

Instruction:	
Regular	\$ 1,304
Other	2,995
Support services:	
Operation and maintenance of plant	24,283
Transportation	<u>26,065</u>
	54,647
Unallocated	<u>40,479</u>
Total depreciation expense - governmental activities	<u>\$ 95,126</u>

Business type activities:

Food service operations	<u>\$ 2,589</u>
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(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 145,000	-	90,000	55,000	55,000
Early retirement	-	50,000	-	50,000	50,000
Net OPEB liability	312,376	148,477	-	460,853	-
Total	\$ 457,376	198,477	90,000	565,853	105,000

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 6,375	3,030	-	9,405	-
Total	\$ 6,375	3,030	-	9,405	-

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of March 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.90%	\$ 55,000	2,145	57,145
Total		\$ 55,000	2,145	57,145

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of full-time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to \$800 per year of service up to a maximum of \$25,000. The early retirement incentive is paid on July 15th of the year of retirement. Early retirement incentive benefits paid during the year ended June 30, 2012 totaled \$0. At June 30, 2012, the District has an obligation to two participants with a total liability of \$50,000.

(7) **Short-term Loan Payable**

The District's Enterprise, Student Construction Fund received a draw-down loan from Iowa Trust and Savings Bank on January 7, 2011, of which \$114,920 was advanced during the year ended June 30, 2011, with an interest rate of 5%. On February 24, 2012, this loan was refinanced and a new loan was obtained. The loan maximum on this new loan is \$114,920, with interest at 4.75%. Proceeds of the original 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
\$114,793	114,840	114,793	\$114,840

The maturity date on this short-term loan payable is September 15, 2012.

(8) **Operating Lease**

The District has entered into a lease on April 26, 2012 to lease copier equipment at \$939 per month. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires on June 26, 2017.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2012:

Year Ended June 30,	Amount
2013	\$ 11,268
2014	11,268
2015	11,268
2016	11,268
2017	11,268
	<u>\$ 56,340</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement was \$9,231.

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$181,300, \$170,201 and \$114,414, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

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

The medical/prescription drug benefits are provided through a partially-insured plan with United Healthcare, with the District covering the difference in amounts for purchased plans with those paid by employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$ 173,000
Interest on net OPEB obligation	14,344
Adjustment to annual required contribution	(12,837)
Annual OPEB cost	174,507
Contributions made	(23,000)
Increase in net OPEB obligation	151,507
Net OPEB obligation beginning of year	318,751
Net OPEB obligation end of year	\$ 470,258

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, 2012.

For the year ended June 30, 2012, the District contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed \$6,777, or 15% 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, 2012 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
June 30, 2011	173,751	8.1%	318,751
June 30, 2012	174,507	13.2%	470,258

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$2.244 million and the ratio of the UAAL to covered payroll was 52%. As of June 30, 2012, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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 \$959-\$1,072 per month for retirees less than age 65 and \$670-\$749 per month for retirees who have attained age 65. The differences in rates depend on the type of medical plan selected. 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.

The District has a partially self-funded health insurance program. The District funds the difference between the deductible and the out-of-pocket maximum on the plan chosen by the employee and the plan actually purchased by the District. The differences consist of a maximum District cost of \$1,000 for a single plan and \$4,000 for a family plan. The financial activity of this plan is accounted for in the Internal Service, Health Insurance Fund. The reserve for future casualty losses was \$39,188 at June 30, 2012.

(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 \$126,933 for the year ended June 30, 2012 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, 2012, the District determined that \$29,694 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a nonspendable fund balance on the balance sheet.

(14) Construction Commitment

The District has entered into agreements totaling \$76,000 for various school repair/remodeling projects. It is anticipated that these costs will be paid for in fiscal year 2013, and will be paid as work or the projects progress. The costs of these projects will be paid for from the Capital Projects Fund.

(15) Deficit Fund Balances

The District had a deficit unrestricted net asset fund balance of \$19,576 in the Enterprise, Student Construction Fund as of June 30, 2012. The District had a deficit unrestricted fund balance of \$7,389 in the Capital Projects, Physical Plant and Equipment Levy Account as of June 30, 2012.

The Deficit balance in the Capital Projects, Physical Plant and Equipment Levy Account is the result of costs incurred in excess of available resources. The deficit balance will be eliminated from future collections of property tax. The deficit balance in the Enterprise, Student Construction Fund will be eliminated by the sale of the student-built house and from a transfer from the General Fund.

(16) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Educator quality, salary improvement program	\$ 13,357
Educator quality, model core curriculum	2,895
Educator quality, professional development	15,823
At-risk innovative grant	<u>6,279</u>
Total	<u>\$ 38,354</u>

(17) Subsequent Events

The District has evaluated subsequent events through February 15, 2013 which is the date the financial statements were available to be issued.

The District paid back approximately \$15,000 of the short-term loan as documented in note 7 to the financial statements. This payment occurred during fiscal year 2013. In October, 2012, the District renewed the short-term loan for \$100,000.

(18) Accounting Change/Restatement

The beginning governmental activities net assets and the beginning governmental activities internal service net assets were restated to include activity for the Internal Service, Health Insurance Fund. The effects of these adjustments are as follows:

	<u>Governmental Activities</u>	<u>Governmental Activities - Internal Service</u>
Balances June 30, 2011, as previously reported	\$ 2,082,962	2,399
To report the Internal Service, Health Insurance Fund	<u>33,151</u>	<u>33,151</u>
Balances July 1, 2011, as restated	<u>\$ 2,116,113</u>	<u>35,550</u>

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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 2,372,417	526,735	2,899,152	444,002	2,455,150	2,371,824	83,326
State sources	2,112,133	2,058	2,114,191	-	2,114,191	2,397,167	(282,976)
Federal sources	247,726	157,311	405,037	-	405,037	420,000	(14,963)
Total revenues	4,732,276	686,104	5,418,380	444,002	4,974,378	5,188,991	(214,613)
Expenditures/Expenses:							
Instruction	2,849,539	6,773	2,856,312	-	2,856,312	3,240,000	383,688
Support services	1,304,491	-	1,304,491	-	1,304,491	1,285,845	(18,646)
Non-instructional programs	515	643,318	643,833	436,918	206,915	225,000	18,085
Other expenditures	323,356	-	323,356	-	323,356	400,424	77,068
Total expenditures/expenses	4,477,901	650,091	5,127,992	436,918	4,691,074	5,151,269	460,195
Excess of revenues over expenditures	254,375	36,013	290,388	7,084	283,304	37,722	245,582
Other financing sources (uses), net	-	9,658	9,658	-	9,658	-	9,658
Excess of revenues and other financing sources over expenditures/ expenses and other financing uses	254,375	45,671	300,046	7,084	292,962	37,722	255,240
Balances beginning of year, as restated	687,928	50,098	738,026	35,550	702,476	795,273	(92,797)
Balances end of year	\$ 942,303	95,769	1,038,072	42,634	995,438	832,995	162,443

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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, 2012, expenditures in the support services function exceeded 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%
2011	July 1, 2009	-	1,167	1,167	0.0%	2,515	46.4%
2012	July 1, 2009	-	1,167	1,167	0.0%	2,244	52.0%

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.

Supplementary Information

Moravia Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Assets						
Cash and pooled investments	\$ 37,897	109,494	81,490	-	29,355	258,236
Receivables:						
Property tax:						
Delinquent	-	1,974	-	2,518	746	5,238
Succeeding year	-	25,000	-	56,573	28,865	110,438
Accounts	-	3,998	-	-	-	3,998
Due from other governments	-	-	-	-	56,495	56,495
Total assets	\$ 37,897	140,466	81,490	59,091	115,461	434,405
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	-	979	-	3,494	4,473
Due to other funds	-	-	-	1,496	8,135	9,631
Deferred revenue:						
Succeeding year property tax	-	25,000	-	56,573	28,865	110,438
Total liabilities	-	25,000	979	58,069	40,494	124,542
Fund balances:						
Nonspendable-Education foundation	29,694	-	-	-	-	29,694
Restricted for:						
Education foundation purposes	8,203	-	-	-	-	8,203
Management levy purposes	-	115,466	-	-	-	115,466
Student activities	-	-	80,511	-	-	80,511
Debt service	-	-	-	1,022	-	1,022
School infrastructure	-	-	-	-	82,356	82,356
Unassigned	-	-	-	-	(7,389)	(7,389)
Total fund balances	37,897	115,466	80,511	1,022	74,967	309,863
Total liabilities and fund balances	\$ 37,897	140,466	81,490	59,091	115,461	434,405

See accompanying independent auditor's report.

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

Year ended June 30, 2012

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ -	74,885	-	95,574	283,008	453,467
Other	434	4,151	239,905	23	2	244,515
State sources	-	58	-	74	22	154
Total revenues	434	79,094	239,905	95,671	283,032	698,136
Expenditures:						
Current:						
Instruction:						
Regular	2,500	10,031	-	-	-	12,531
Special	-	2,239	-	-	-	2,239
Other	-	2,150	244,430	-	-	246,580
Support services:						
Student	-	609	-	-	-	609
Instructional staff	-	281	-	-	119,742	120,023
Administration	-	10,319	-	-	-	10,319
Operation and maintenance of plant	-	8,889	-	-	132,625	141,514
Transportation	-	6,144	-	-	-	6,144
Non-instructional programs	-	515	-	-	-	515
Other expenditures:						
Facilities acquisition	-	-	-	-	100,448	100,448
Long-term debt:						
Principal	-	-	-	90,000	-	90,000
Interest and fiscal changes	-	-	-	5,975	-	5,975
Total expenditures	2,500	41,177	244,430	95,975	352,815	736,897
Excess (deficiency) of revenues over (under) expenditures	(2,066)	37,917	(4,525)	(304)	(69,783)	(38,761)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	744	744
Total other financing sources (uses)	-	-	-	-	744	744
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,066)	37,917	(4,525)	(304)	(69,039)	(38,017)
Fund balances beginning of year	39,963	77,549	85,036	1,326	144,006	347,880
Fund balances end of year	\$ 37,897	115,466	80,511	1,022	74,967	309,863

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 199	41	-	-	240
Variety Show	2,785	1,626	2,139	-	2,272
Adopt-a-book	18	700	272	-	446
Band Trip	15,772	36,710	46,247	-	6,235
Australia Trip	-	50	50	-	-
Show Choir	537	2,748	2,454	-	831
Year book	5,235	9,087	7,672	-	6,650
Football Cheerleaders	491	2,087	2,176	-	402
Wrestling Cheerleaders	45	-	-	-	45
Drama	142	-	-	-	142
Spanish Club	102	327	-	-	429
FFA	2,450	32,772	32,765	-	2,457
FCCLA	1,041	1,250	1,368	-	923
Student Council	1,388	3,406	3,484	-	1,310
Academic Dream	61	190	234	-	17
Student Development	733	487	500	-	720
Elementary	2,249	19,149	15,175	-	6,223
Concessions	799	18,918	18,149	(96)	1,472
Class of 2011	315	3,065	3,012	(218)	150
Class of 2012	13,047	13,687	26,610	-	124
Class of 2013	9,043	7,285	3,754	-	12,574
Class of 2014	4,684	3,008	325	-	7,367
Class of 2015	1,362	2,497	200	-	3,659
Class of 2016	1,871	1,975	532	-	3,314
Class of 2017	127	1,438	701	-	864
Class of 2018	-	126	126	-	-
High School Activity	2,658	10,017	9,321	314	3,668
Speech Club	-	26	-	-	26
National Honor Society	-	302	302	-	-
Boys Track	73	-	-	-	73
Athletics	4,020	35,900	29,327	(845)	9,748
Junior High Volleyball	551	226	774	-	3
Junior High Girls Basketball	501	-	492	-	9
Boys Basketball	1,878	4,517	5,478	315	1,232
High School Football	1,744	7,272	6,870	-	2,146
Baseball	2,741	4,448	6,043	-	1,146
Wrestling	290	643	618	-	315
Construction	329	-	329	-	-
Girls Basketball	1,568	1,244	2,556	315	571
Volleyball	3,248	5,360	6,802	215	2,021
Softball	681	5,415	5,669	-	427
Cross Country	178	333	425	-	86
Girls Track	2	580	582	-	-
Golf	78	993	897	-	174
Total	\$ 85,036	239,905	244,430	-	80,511

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 29,355	-	29,355
Receivables:			
Property tax:			
Delinquent	-	746	746
Succeeding year	-	28,865	28,865
Due from other governments	56,495	-	56,495
Total assets	\$ 85,850	29,611	115,461
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,494	-	3,494
Due to other funds	-	8,135	8,135
Deferred revenue:			
Succeeding year property tax	-	28,865	28,865
Total liabilities	3,494	37,000	40,494
Fund balances:			
Restricted for:			
School infrastructure	82,356	-	82,356
Unassigned	-	(7,389)	(7,389)
Total fund balances	82,356	(7,389)	74,967
Total liabilities and fund balances	\$ 85,850	29,611	115,461

See accompanying independent auditor's report.

Moravia Community School District

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 254,712	28,296	283,008
Other	-	2	2
State sources	-	22	22
Total revenues	<u>254,712</u>	<u>28,320</u>	<u>283,032</u>
Expenditures:			
Support services:			
Instructional staff	119,742	-	119,742
Operation and maintenance of plant	88,912	43,713	132,625
Other expenditures:			
Facilities acquisition	85,036	15,412	100,448
Total expenditures	<u>293,690</u>	<u>59,125</u>	<u>352,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,978)</u>	<u>(30,805)</u>	<u>(69,783)</u>
Other financing sources (uses):			
Operating transfers in	744	-	744
Total other financing sources (uses)	<u>744</u>	<u>-</u>	<u>744</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(38,234)</u>	<u>(30,805)</u>	<u>(69,039)</u>
Fund balances beginning of year	<u>120,590</u>	<u>23,416</u>	<u>144,006</u>
Fund balances end of year	<u>\$ 82,356</u>	<u>(7,389)</u>	<u>74,967</u>

See accompanying independent auditor's report.

Combining Schedule of Net Assets
Internal Service Funds

June 30, 2012

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Assets			
Cash and cash equivalents	\$ 3,446	39,188	42,634
Total assets	3,446	39,188	42,634
Liabilities			
Accounts payable	-	-	-
Total liabilities	-	-	-
Net Assets			
Unrestricted	3,446	39,188	42,634
Total net assets	\$ 3,446	39,188	42,634

See accompanying independent auditor's report.

Moravia Community School District

Schedule 7

Combining Schedule of Revenues, Expenses, and
Changes in Fund Net Assets
Internal Service Funds

Year ended June 30, 2012

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	355,356	355,356
Charges to employees and others	9,160	79,403	88,563
Total operating revenues	9,160	434,759	443,919
Operating expenses:			
Non-instructional programs:			
Insurance premiums	-	390,372	390,372
Medical claims	-	31,949	31,949
Flexible spending claims	8,113	-	8,113
Administrative fees	-	6,484	6,484
Total operating expenses	8,113	428,805	436,918
Operating income	1,047	5,954	7,001
Non-operating revenues:			
Interest income	-	83	83
Net non-operating revenues	-	83	83
Change in net assets	1,047	6,037	7,084
Net assets beginning of year, as restated	2,399	33,151	35,550
Net assets end of year	\$ 3,446	39,188	42,634

See accompanying independent auditor's report.

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2012

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	355,356	355,356
Cash received from employees and others	9,160	79,403	88,563
Cash payments to supplies for services	(8,113)	(428,805)	(436,918)
Net cash provided by operating activities	<u>1,047</u>	<u>5,954</u>	<u>7,001</u>
Cash flows from capital and related financing activities:			
Interfund loan (decrease)	(3,000)	-	(3,000)
Cash flows from investing activities:			
Interest on investments	-	83	83
Net increase (decrease) in cash and cash equivalents	(1,953)	6,037	4,084
Cash and cash equivalents at beginning of year	5,399	33,151	38,550
Cash and cash equivalents at end of year	<u>\$ 3,446</u>	<u>39,188</u>	<u>42,634</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,047	5,954	7,001
Adjustments to reconcile operating income to net cash provided by operating activities			
None	-	-	-
Net cash provided by operating activities	<u>\$ 1,047</u>	<u>5,954</u>	<u>7,001</u>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 9

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$1,654,654	1,525,122	1,437,914	1,351,362	1,280,131	1,228,530	1,098,441	980,208	914,345
Tuition	459,136	398,636	362,679	301,352	222,893	289,844	250,341	268,743	242,808
Other	258,627	233,000	242,574	205,313	204,157	230,243	211,508	324,919	161,032
Intermediate sources	-	-	-	-	-	-	-	61,103	37,477
State sources	2,112,133	1,922,751	1,579,743	1,878,423	1,664,519	1,586,760	1,552,826	1,438,737	1,463,061
Federal sources	247,726	329,958	441,479	252,528	172,633	248,164	320,572	154,496	203,558
Total	\$4,732,276	4,409,467	4,064,389	3,988,978	3,544,333	3,583,541	3,433,688	3,228,206	3,022,281
Expenditures:									
Instruction:									
Regular	\$1,882,591	1,789,589	1,664,066	1,603,477	1,548,758	1,355,157	1,296,673	1,436,641	1,322,066
Special	358,831	378,541	541,244	530,048	331,114	398,202	313,993	401,792	299,730
Other	608,117	553,178	531,272	589,668	566,413	489,379	510,474	347,552	430,728
Support services:									
Student	101,275	97,084	74,262	13,846	90,307	85,143	81,765	80,185	72,891
Instructional staff	188,503	103,743	93,135	85,674	29,639	58,090	75,068	40,678	44,222
Administration	431,985	417,788	410,919	416,614	436,077	459,719	441,552	430,681	398,037
Operation and maintenance of plant	355,551	246,005	207,547	224,937	247,452	221,922	196,670	217,573	221,807
Transportation	227,177	246,979	248,293	186,508	194,660	137,340	191,623	142,213	164,001
Non-instructional programs	515	617	682	475	482	457	618	495	400
Other expenditures:									
Facilities acquisition	100,448	103,220	81,683	102,337	230,147	58,392	267,315	53,081	3,364
Long-term debt:									
Principal	90,000	90,000	85,000	85,000	85,000	80,000	75,000	79,676	74,883
Interest and other charges	5,975	9,030	11,784	14,378	16,935	18,634	20,435	22,830	34,948
AEA flowthrough	126,933	132,313	122,476	111,392	103,255	96,106	91,933	87,761	89,358
Total	\$4,477,901	4,168,087	4,072,363	3,964,354	3,880,239	3,458,541	3,563,119	3,341,158	3,156,435

See accompanying independent auditor's report.

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2013. 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

The management of Moravia Community School District is responsible for establishing and maintaining effective 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

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 the accompanying Schedule of Findings as items (A), (B), (D), (E) and (F) 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 the accompanying Schedule of Findings as item (C) 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 other matters, 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Moravia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Moravia Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Moravia Community School District and other parties to whom the Moravia Community School District may report 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

Peak & Co., LLP
Certified Public Accountants

February 15, 2013

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) 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 utilizing currently available staff, including elected officials.

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

Conclusion – Response accepted.

- (B) Moravia Education Foundation – A double entry accounting system is not used by the Foundation. As a result, the District was unable to prepare accurate financial statements in accordance with generally accepted accounting principles for the Foundation for the year ended June 30, 2012.

Recommendation – The Foundation implement a double entry accounting system, and prepare financial statements on a monthly and yearly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

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

Recommendation – The District should 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.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

- (D) 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 these recommendations.
- Conclusion – Response accepted.
- (E) Receipts – Some Activity Fund receipts were not deposited to the bank timely or on an intact basis.
- Recommendation – Activity Fund receipts should be deposited to the bank on a timely and intact basis.
- Response – We will attempt to implement this recommendation.
- Conclusion – Response accepted.
- (F) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Moravia Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.
- Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.
- Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.
- Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the support services program function.

The District's budget for fiscal year 2012 was not certified by April 15, as required by Chapter 24 of the Code of Iowa.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. In addition, the District should implement procedures to ensure the budget is certified by the statutory deadline in the future.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. In addition, future budgets will be certified by April 15.

Conclusion – Response accepted.

- (2) Questionable Disbursement – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) 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.
- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$ 640
Steve Smith, Board Member	Coaching	\$ 2,691
John Baty, Board Member Owner of Baty Electric	Repair/Maintenance	\$ 35,757

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

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Smith and Mr. Baty appears to represent a conflict of interest.

The District buys school supplies and merchandise from a locally owned family business (Power Graphics). One of the members of this family is also an instructor for the District. Chapter 301.28 of the Code of Iowa states that it is unlawful for any teacher to act as an agent for the purchase of school supplies. It does not appear that the District has reviewed this situation to determine if they are in compliance with Chapter 301.28 of the Code of Iowa.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

Recommendation – The District should contact legal counsel regarding the above related party transactions with the Board members to determine what, if any, corrective action is needed. In addition, the District also needs consult legal counsel to determine if they are in compliance with Chapter 301.28 of the Code of Iowa.

Response – We will discuss this with our School Attorney.

Conclusion – Response accepted.

- (5) 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 ensure that the coverage is adequate for current operations.
- (6) Board Minutes – One instance was noted where the Board minutes did not properly document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

One instance was noted where the Board minutes were not timely published, as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The District should comply with Chapter 21 of the Code of Iowa in relation to the open-meetings law. In addition, all Board minutes should be published as required by Chapter 279.35 of the Code of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) 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
- (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.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

- (11) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, in some cases the District did not record expenditures related to categorical funding until the end of the fiscal year. The Iowa 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 Iowa Department of Education requirements.

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

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (12) Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 120,590
Revenues/transfers in:		
Sales tax revenues	\$ 254,712	
Transfers from other funds	744	255,456
		<u>376,046</u>
Expenditures/transfers out:		
Land	68,843	
Equipment	118,932	
Other	105,915	293,690
		<u>82,356</u>
Ending balance		<u>\$ 82,356</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- (13) Financial Condition – The Special Revenue, Management Levy Fund fund balances are in excess of one year's expenditures. As a result, the balance in this fund may be excessive. The Enterprise, Student Construction Fund had a deficit unrestricted net asset fund balance of \$19,576 as June 30, 2012. In addition, the Capital Projects, Physical Plant and Equipment Levy Account had a deficit unrestricted fund balance of \$7,389 as of June 30, 2012.

Recommendation – The District should consider the necessity of maintaining the substantial balance in the Special Revenue, Management Levy Fund and, where financially feasible, consider reducing the balance in this fund. The District should also continue to monitor the deficits in the Enterprise, Student Construction Fund and the Capital Projects, Physical Plant and Equipment Levy Account and investigate alternatives to eliminate these deficits.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

Response – We will continue to monitor these funds and investigate alternatives to return all of these funds to a reasonable level. The Special Revenue, Management Levy Fund balance is being built up in order to pay for the early retirement costs of the teachers that are near retirement age.

Conclusion – Response accepted.

- (14) Interfund Loans – 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 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 this to the best of our ability.

Conclusion – Response accepted.

- (15) 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 physically 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.

- (16) Payroll – Some non-exempt employees are not required to keep timesheets. To ensure compliance with the Fair Labor Standards Act, all non-exempt employees should keep timesheets.

Recommendation – To be compliance with the Fair Labor Standards Act, the District should implement procedures to ensure all non-exempt employees keep timesheets, and that hours worked by non-exempt employees are compensated at time-and-one-half.

Response – We will review this area.

Conclusion – Response accepted.

- (17) Vehicle Fuel – The District purchases its fuel from a vendor in town. In addition, a vehicle log is kept in each vehicle. There was no indication that the District reconciled the quantity of fuel purchased as recorded on the vendor invoices with the vehicle logs, nor did the District analyze the vehicle logs for reasonableness.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2012

Recommendation – To provide for increased accountability over fuel purchased, the District should periodically reconcile fuel purchased as recorded on the vendor invoices with the vehicle logs. Any differences and any unusual amounts of fuel used should be periodically investigated and followed up on in a timely manner.

Response – We will take the above under advisement.

Conclusion – Response accepted.