

MORAVIA COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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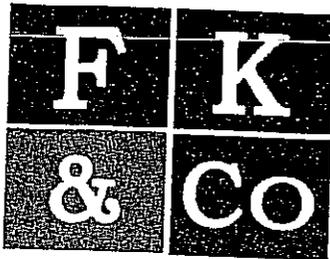
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Moravia Community School District

Officials

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

Moravia Community School District



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Education of
Moravia Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District), Moravia, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

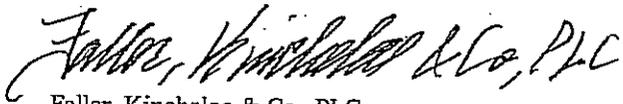
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 12, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.


Faller, Kincheloe & Co., PLC
Certified Public Accountants

January 31, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,034,140 in fiscal year 2012 to \$4,107,687 in fiscal year 2013, while General Fund expenditures increased from \$3,741,004 in fiscal year 2012 to \$4,111,529 in fiscal year 2013. The District's General Fund balance decreased from \$632,440 at the end of fiscal year 2012 to \$628,598 at the end of fiscal year 2013, a 1% decrease.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal year 2012 to fiscal year 2013, revenue increased \$73,547.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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, the non-major enterprise 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.

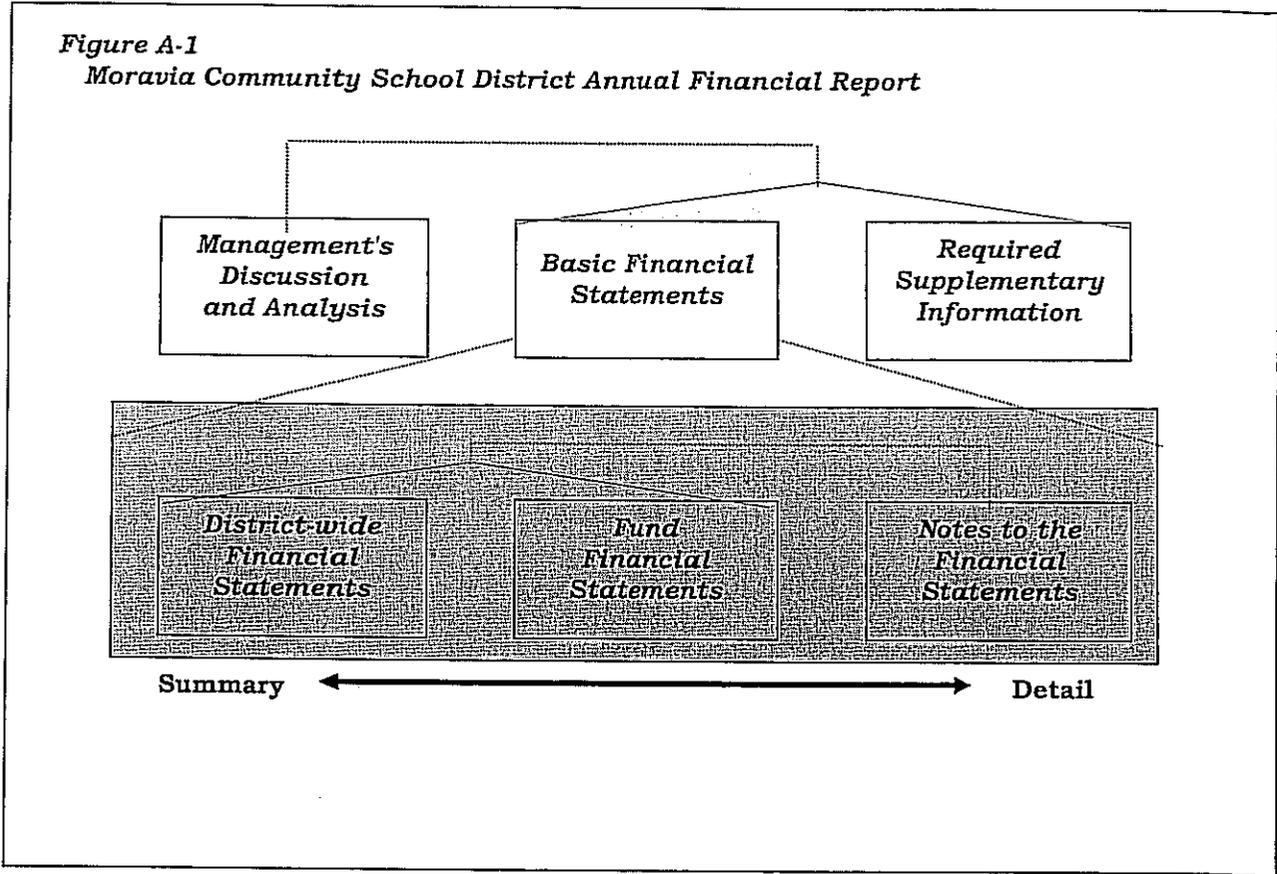


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 Position 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 position and how it has 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the 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, 2013 compared to June 30, 2012.

Figure A-3
Combined Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 3,016	2,516	58	175	3,074	2,691	14.2%
Capital assets	2,064	1,875	18	21	2,082	1,896	9.8%
Total assets	5,080	4,391	76	196	5,156	4,587	12.4%
Long-term liabilities	489	566	10	124	499	690	-27.7%
Other liabilities	1,819	1,525	42	19	1,861	1,544	20.5%
Total liabilities	2,308	2,091	52	143	2,360	2,234	5.6%
Net position:							
Net investment in capital assets	2,064	1,820	18	21	2,082	1,841	13.1%
Restricted	451	355	-	-	451	355	27.0%
Unrestricted	257	125	6	32	263	157	67.5%
Total net position	\$ 2,772	2,300	24	53	2,796	2,353	18.8%

The District's total net position increased nearly 18.8%, or approximately \$443,000, over the prior year. A large portion of the District's net assets is 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$96,000, or 27% over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$106,000, or 67.5%. The increase in unrestricted net position was primarily due to a decrease in long-term liabilities in the current year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program revenues:							
Charges for service	\$ 657	689	186	83	843	772	9.2%
Operating grants, contributions and restricted interest	709	702	150	159	859	861	-0.2%
Capital grants, contributions and restricted interest	-	-	-	10	-	10	-100.0%
General revenues:							
Property tax	1,321	1,271	-	-	1,321	1,271	3.9%
Income surtax	130	-	-	-	130	-	100.0%
Statewide sales, services and use tax	294	255	-	-	294	255	15.3%
Unrestricted state grants	1,564	1,565	-	-	1,564	1,565	-0.1%
Unrestricted investment earnings	1	-	-	-	1	-	100.0%
Other	177	104	-	-	177	104	70.2%
Total revenues	<u>4,853</u>	<u>4,586</u>	<u>336</u>	<u>252</u>	<u>5,189</u>	<u>4,838</u>	<u>7.3%</u>
Program expenses:							
Instruction	3,013	3,004	119	7	3,132	3,011	4.0%
Support services	1,193	1,210	-	-	1,193	1,210	-1.4%
Non-instructional programs	1	1	246	206	247	207	19.3%
Other expenses	174	187	-	-	174	187	-7.0%
Total expenses	<u>4,381</u>	<u>4,402</u>	<u>365</u>	<u>213</u>	<u>4,746</u>	<u>4,615</u>	<u>2.8%</u>
Increase (decrease) in net position	472	184	(29)	39	443	223	98.7%
Net position beginning of year	<u>2,300</u>	<u>2,116</u>	<u>53</u>	<u>14</u>	<u>2,353</u>	<u>2,130</u>	<u>10.5%</u>
Net position end of year	<u>\$ 2,772</u>	<u>2,300</u>	<u>24</u>	<u>53</u>	<u>2,796</u>	<u>2,353</u>	<u>18.8%</u>

In fiscal 2013, property tax and unrestricted state grants account for 59.5% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest account for 100% of the revenue from the business type activities. The District's total revenues were approximately \$5.2 million of which approximately \$4.9 million was for governmental activities and approximately \$336,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 7.3% increase in revenues and a 2.8% increase in expenses. Property tax and charges for service increased approximately \$50,000 and \$71,000, respectively, to partially fund the increase 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 \$4,853,355 and expenses were \$4,380,973 for the year ended June 30, 2013. In a difficult budget year, the District's financial position increased due to decisions made by the District to control spending to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 3,013	3,004	0.3%	1,790	1,747	2.5%
Support services	1,193	1,210	-1.4%	1,181	1,203	-1.8%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	174	187	-7.0%	43	60	-28.3%
Total	\$ 4,381	4,402	-0.5%	3,015	3,011	0.1%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$656,987.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$709,071.
- The net cost of governmental activities was financed with \$1,745,128 in property and other tax and \$1,564,220 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$335,559, representing a 33.3% increase over the prior year while expenses totaled \$364,442, a 71% increase over the prior year. The District's business type activities include the School Nutrition Fund and the Student Construction Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenses in the fiscal year can be attributed to the sale of the student-built home. In addition, the increase in expenses was also 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 \$1,008,757, above last year's ending fund balances of \$942,303. The primary reason for the increase was the result of revenues in excess of expenditures in the Capital Projects Fund in fiscal year 2013.

Governmental Fund Highlights

The General Fund balance decrease from \$632,440 to \$628,598 was primarily due to an increase in salaries and benefits and building operation, and transportation expenses.

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. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2013 than was planned.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, support services, and non-instructional programs functional areas 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, 2013, the District had invested \$2.1 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 9.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$114,745.

The original cost of the District's capital assets was approximately \$4.4 million. Governmental funds account for approximately \$4.3 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 vehicles. The majority of improvements were done on the baseball field, which included new back stop, fencing, press box and dugouts.

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,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 13	13	-	-	13	13	0.0%
Construction in progress	58	-	-	-	58	-	100.0%
Buildings	1,187	1,313	-	-	1,187	1,313	-9.6%
Improvements other than buildings	497	266	-	-	497	266	86.8%
Furniture and equipment	309	283	18	21	327	304	7.6%
Totals	\$ 2,064	1,875	18	21	2,082	1,896	9.8%

Long-Term Debt

At June 30, 2013, the District had \$0 in total long-term debt outstanding. This represents a decrease of 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Notes 5 and 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-2013
General obligation bonds	\$ -	55	-100.0%
Early retirement	-	50	-100.0%
Short-term note payable	-	115	-100.0%
Totals	\$ -	220	-100.0%

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 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 Honey Creek Destination Park is located in the District. This should continue to 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 Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,287,246	41,808	1,329,054
Receivables:			
Property tax:			
Delinquent	33,753	-	33,753
Succeeding year	1,343,304	-	1,343,304
Accounts	15,479	24	15,503
Due from other funds	31,186	-	31,186
Due from other governments	304,724	13,604	318,328
Inventories	-	2,250	2,250
Capital assets, net of accumulated depreciation	2,064,410	18,147	2,082,557
Total assets	5,080,102	75,833	5,155,935
Liabilities			
Accounts payable	50,663	116	50,779
Deposits payable	25,000	-	25,000
Salaries and benefits payable	377,139	8,147	385,286
Due to other governments	23,008	-	23,008
Due to other funds	-	31,186	31,186
Deferred revenue:			
Succeeding year property tax	1,343,304	-	1,343,304
Unearned revenue	-	2,158	2,158
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	488,718	9,974	498,692
Total liabilities	2,307,832	51,581	2,359,413
Net Position			
Net investment in capital assets	2,064,410	18,147	2,082,557
Restricted:			
Nonexpendable:			
Education foundation	29,885	-	29,885
Expendable:			
Categorical funding	30,369	-	30,369
Restricted donation	5,280	-	5,280
Education foundation purposes	6,051	-	6,051
Management levy purposes	33,669	-	33,669
Student activities	112,126	-	112,126
Debt service	272	-	272
School infrastructure	222,004	-	222,004
Physical plant and equipment	11,583	-	11,583
Unrestricted	256,621	6,105	262,726
Total net position	\$ 2,772,270	24,252	2,796,522

See notes to financial statements.

Moravia Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	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	\$ 1,953,440	382,488	411,926	-	(1,159,026)	-	(1,159,026)
Special instruction	377,766	50,471	155,526	-	(171,769)	-	(171,769)
Other instruction	682,171	212,126	10,373	-	(459,672)	-	(459,672)
	<u>3,013,377</u>	<u>645,085</u>	<u>577,825</u>	<u>-</u>	<u>(1,790,467)</u>	<u>-</u>	<u>(1,790,467)</u>
Support services:							
Student	104,013	-	-	-	(104,013)	-	(104,013)
Instructional staff	160,429	-	-	-	(160,429)	-	(160,429)
Administration	441,131	-	-	-	(441,131)	-	(441,131)
Operation and maintenance of plant	253,248	11,350	-	-	(241,898)	-	(241,898)
Transportation	233,783	552	-	-	(233,231)	-	(233,231)
	<u>1,192,604</u>	<u>11,902</u>	<u>-</u>	<u>-</u>	<u>(1,180,702)</u>	<u>-</u>	<u>(1,180,702)</u>
Non-instructional programs	<u>795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(795)</u>	<u>-</u>	<u>(795)</u>
Other expenditures:							
Facilities acquisition	4,548	-	-	-	(4,548)	-	(4,548)
Long-term debt interest	2,465	-	10	-	(2,455)	-	(2,455)
AEA flowthrough	131,236	-	131,236	-	-	-	-
Depreciation (unallocated)*	35,948	-	-	-	(35,948)	-	(35,948)
	<u>174,197</u>	<u>-</u>	<u>131,246</u>	<u>-</u>	<u>(42,951)</u>	<u>-</u>	<u>(42,951)</u>
Total governmental activities	<u>4,380,973</u>	<u>656,987</u>	<u>709,071</u>	<u>-</u>	<u>(3,014,915)</u>	<u>-</u>	<u>(3,014,915)</u>
Business type activities:							
Instruction:							
Other instruction	119,110	107,500	-	-	-	(11,610)	(11,610)
Non-instructional programs:							
Food service operations	245,332	78,299	149,735	-	-	(17,298)	(17,298)
Total business type activities	<u>364,442</u>	<u>185,799</u>	<u>149,735</u>	<u>-</u>	<u>-</u>	<u>(28,908)</u>	<u>(28,908)</u>
Total	<u>\$ 4,745,415</u>	<u>842,786</u>	<u>858,806</u>	<u>-</u>	<u>(3,014,915)</u>	<u>(28,908)</u>	<u>(3,043,823)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,234,794	-	1,234,794
Debt service					56,884	-	56,884
Capital outlay					29,021	-	29,021
Income surtax					130,433	-	130,433
Statewide sales, services and use tax					293,996	-	293,996
Unrestricted state grants					1,564,220	-	1,564,220
Unrestricted investment earnings					480	25	505
Other					177,469	-	177,469
Total general revenues					<u>3,487,297</u>	<u>25</u>	<u>3,487,322</u>
Change in net position					<u>472,382</u>	<u>(28,883)</u>	<u>443,499</u>
Net position beginning of year					<u>2,299,888</u>	<u>53,135</u>	<u>2,353,023</u>
Net position end of year					<u>\$ 2,772,270</u>	<u>24,252</u>	<u>2,796,522</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, 2013

	General	Nonmajor	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 868,335	361,523	1,229,858
Receivables:			
Property tax:			
Delinquent	30,915	2,838	33,753
Succeeding year	1,091,429	251,875	1,343,304
Accounts	14,363	1,116	15,479
Due from other funds	32,368	-	32,368
Due from other governments	224,847	79,877	304,724
Total assets	\$2,262,257	697,229	2,959,486
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,650	39,013	50,663
Deposits payable	-	25,000	25,000
Salaries and benefits payable	377,139	-	377,139
Due to other governments	23,008	-	23,008
Due to other funds	-	1,182	1,182
Deferred revenue:			
Succeeding year property tax	1,091,429	251,875	1,343,304
Other	130,433	-	130,433
Total liabilities	1,633,659	317,070	1,950,729
Fund balances:			
Nonspendable-Education foundation	-	29,885	29,885
Restricted for:			
Categorical funding	30,369	-	30,369
Restricted donation	5,280	-	5,280
Education foundation purposes	-	6,051	6,051
Management levy purposes	-	33,669	33,669
Student activities	-	112,126	112,126
Debt service	-	272	272
School infrastructure	-	222,004	222,004
Physical plant and equipment	-	11,583	11,583
Unassigned	592,949	(35,431)	557,518
Total fund balances	628,598	380,159	1,008,757
Total liabilities and fund balances	\$2,262,257	697,229	2,959,486

See notes to financial statements.

Moravia Community School District

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 20)	\$ 1,008,757
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,064,410
The Internal Service Fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	57,388
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	130,433
Long-term liabilities, including other post-employment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(488,718)</u>
Net position of governmental activities (page 18)	<u>\$ 2,772,270</u>

See notes to financial statements.

Moravia Community School District

Exhibit E

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

Year ended June 30, 2013

	General	Nonmajor	Total
Revenues:			
Local sources:			
Local tax	\$ 1,208,669	404,945	1,613,614
Tuition	439,156	-	439,156
Other	41,913	216,403	258,316
State sources	2,087,399	83	2,087,482
Federal sources	330,550	-	330,550
Total revenues	<u>4,107,687</u>	<u>621,431</u>	<u>4,729,118</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,917,356	77,772	1,995,128
Special	373,012	2,481	375,493
Other	492,583	183,674	676,257
	<u>2,782,951</u>	<u>263,927</u>	<u>3,046,878</u>
Support services:			
Student	102,214	661	102,875
Instructional staff	127,262	32,598	159,860
Administration	453,901	10,695	464,596
Operation and maintenance of plant	214,374	130,464	344,838
Transportation	299,591	6,883	306,474
	<u>1,197,342</u>	<u>181,301</u>	<u>1,378,643</u>
Non-instructional programs	-	795	795
Other expenditures:			
Facilities acquisition	-	47,468	47,468
Long-term debt:			
Principal	-	55,000	55,000
Interest and fiscal charges	-	2,644	2,644
AEA flowthrough	131,236	-	131,236
	<u>131,236</u>	<u>105,112</u>	<u>236,348</u>
Total expenditures	<u>4,111,529</u>	<u>551,135</u>	<u>4,662,664</u>
Change in fund balances	(3,842)	70,296	66,454
Fund balances beginning of year	632,440	309,863	942,303
Fund balances end of year	<u>\$ 628,598</u>	<u>380,159</u>	<u>1,008,757</u>

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, 2013

Net change in fund balances - total governmental funds (page 22) \$ 66,454

*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	\$ 289,908	
Capital assets contributed	11,469	
Depreciation expense	<u>(111,754)</u>	189,623

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 124,237

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 55,000

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. 179

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>(27,865)</u>	22,135

The Internal Service fund is used by management to charge the costs of the District's flexible spending plan and partial self funding of the health insurance plan to individual funds. The change in net assets of the Internal Service Fund are reported in governmental activities. 14,754

Change in net position of governmental activities (page 19) \$ 472,382

See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2013

	Business - Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 41,808	57,388
Accounts receivable	24	
Due from other governments	13,604	-
Inventories	2,250	-
Total current assets	57,686	57,388
Noncurrent assets:		
Capital assets, net of accumulated depreciation	18,147	-
Total noncurrent assets	18,147	-
Total assets	75,833	57,388
Liabilities		
Current liabilities:		
Accounts payable	116	
Salaries and benefits payable	8,147	-
Due to other funds	31,186	-
Unearned revenue	2,158	-
Total current liabilities	41,607	-
Noncurrent liabilities:		
Net OPEB liability	9,974	-
Total noncurrent liabilities	9,974	-
Total liabilities	51,581	-
Net Position		
Investment in capital assets	18,147	-
Unrestricted	6,105	57,388
Total net position	\$ 24,252	57,388

See notes to financial statements.

Moravia Community School District

Exhibit H

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2013

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Operating revenues:		
Local sources:		
Charges to operating funds	\$ -	427,834
Charges for service	185,799	-
Charges to employees and others	-	74,247
Total operating revenues	<u>185,799</u>	<u>502,081</u>
Operating expenses:		
Instruction:		
Other instruction	119,110	-
	<u>119,110</u>	<u>-</u>
Non-instructional programs:		
Salaries	85,913	-
Benefits	29,585	-
Purchased services	3,816	-
Supplies	123,026	-
Insurance premiums	-	434,815
Medical claims	-	34,765
Flexible spending claims	-	11,349
Administrative fees	-	6,524
Depreciation	2,992	-
	<u>245,332</u>	<u>487,453</u>
Total operating expenses	<u>364,442</u>	<u>487,453</u>
Operating income (loss)	<u>(178,643)</u>	<u>14,628</u>
Non-operating revenues:		
State sources	1,877	-
Federal sources	147,858	-
Interest income	25	126
Net non-operating revenues	<u>149,760</u>	<u>126</u>
Increase (Decrease) in net position	(28,883)	14,754
Net position beginning of year	<u>53,135</u>	<u>42,634</u>
Net position end of year	<u>\$ 24,252</u>	<u>57,388</u>

See notes to financial statements.

Moravia Community School District

Exhibit 1

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 80,433	-
Cash received from miscellaneous operating activities	107,500	-
Cash received from operating fund reimbursements	-	427,834
Cash received from employees and others	-	74,247
Cash payments to suppliers for services	-	(487,453)
Cash payments to employees for services	(78,996)	-
Cash payments to suppliers for goods and services	(153,159)	-
Net cash provided (used) by operating activities	<u>(44,222)</u>	<u>14,628</u>
Cash flows from non-capital financing activities:		
State grants received	1,877	-
Federal grants received	142,000	-
Net cash provided by non-capital financing activities	<u>143,877</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Interfund loan increase	12,784	-
Principal (decrease) on loan	(114,840)	-
Net cash provided (used) by capital and related financing activities	<u>(102,056)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	25	126
Net increase (decrease) in cash and cash equivalents	(2,376)	14,754
Cash and cash equivalents at beginning of year	44,184	42,634
Cash and cash equivalents at end of year	<u>41,808</u>	<u>57,388</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(178,643)	14,628
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Commodities used	7,051	-
Depreciation	2,992	-
(Increase) in accounts receivable	(24)	-
Decrease in inventories	114,210	-
Increase in accounts payable	116	-
Increase in salaries and benefits payable	7,349	-
Increase in unearned revenue	2,158	-
Increase in net OPEB liability	569	-
Net cash provided (used) by operating activities	<u>\$ (44,222)</u>	<u>14,628</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$7,051 of federal commodities.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2013

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

Moravia Community School District (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 in 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, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has 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 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 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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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. All enterprise funds are aggregated and reported as nonmajor enterprise funds. All internal service funds are aggregated and reported as governmental activities in the proprietary 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.

Additionally the District reports four non-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 operations of the District. 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 Position 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.

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

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 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 Position consists of unspent grant proceeds and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instruction, support services and non-instructional functions.

(2) Cash, Cash Equivalents and Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$45,183, 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, money market account and stock. At June 30, 2013, the cost of the stock was \$25,174, and the fair value was \$6,524. The stock is reported at fair value, as determined by the investment company handling the account. The Foundation's investments are all category 1, which means that the investments are held by the Foundation in the Foundation's name. The investment balances of the Foundation's funds are reported at the carrying amount which reasonably estimates fair value.

(3) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2013 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,182
	Enterprise:	
	Student Construction	31,186
	Total	<u>\$ 32,368</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) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year (As Restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 12,448	-	-	12,448
Construction in progress	-	57,604	-	57,604
Total capital assets not being depreciated	12,448	57,604	-	70,052
Capital assets being depreciated:				
Buildings	2,780,081	24,132	-	2,804,213
Improvements other than buildings	619,968	95,279	-	715,247
Furniture and equipment	597,296	124,362	30,000	691,658
Total capital assets being depreciated	3,997,345	243,773	30,000	4,211,118
Less accumulated depreciation for:				
Buildings	1,580,519	35,948	-	1,616,467
Improvements other than buildings	188,270	29,816	-	218,086
Furniture and equipment	366,217	45,990	30,000	382,207
Total accumulated depreciation	2,135,006	111,754	30,000	2,216,760
Total capital assets being depreciated, net	1,862,339	132,019	-	1,994,358
Governmental activities capital assets, net	\$ 1,874,787	189,623	-	2,064,410
Business type activities:				
Furniture and equipment	\$ 127,694	-	-	127,694
Less accumulated depreciation	106,556	2,991	-	109,547
Business type activities capital assets, net	\$ 21,138	(2,991)	-	18,147

Depreciation expense was charged to the following functions:

Government activities:

Instruction:		
Regular		\$ 1,304
Other		4,207
Support services:		
Operation and maintenance of plant		34,599
Transportation		35,696
		<u>75,806</u>
Unallocated		<u>35,948</u>
Total depreciation expense - governmental activities		<u>\$ 111,754</u>

Business type activities:

Food service operations		<u>\$ 2,991</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 55,000	-	55,000	-	-
Early retirement	50,000	-	50,000	-	-
Net OPEB liability	460,853	29,468	1,603	488,718	-
Total	\$ 565,853	29,468	106,603	488,718	-

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 9,405	602	33	9,974	-
Total	\$ 9,405	602	33	9,974	-

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, 2013 totaled \$50,000. At June 30, 2013, the District had obligations to no participants.

(6) Short-term Loan Payable

The District's Enterprise, Student Construction Fund received a draw-down loan from Iowa Trust and Savings Bank. Proceeds of the original loan were used to construct a student-built house as part of a school program. The loan was refinanced multiple times. At July 1, 2012, the balance of this loan was \$114,840. On October 25, 2012, the District paid part of the loan off, and the balance of \$100,000 was refinanced with Iowa Trust and Savings Bank. The student-built house was sold in February, 2013, and the \$100,000 loan was paid off. As of June 30, 2013, the balance on this loan was \$0.

(7) **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, 2013:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 11,543
2015	11,542
2016	11,543
2017	11,542
	<u>\$ 46,170</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement was \$11,313.

(8) **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$201,566, \$181,300 and \$170,201, respectively, equal to the required contributions for each year.

(9) **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 46 active and 3 retired members 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,882
Interest on net OPEB obligation	11,750
Adjustment to annual required contribution	<u>(29,562)</u>
Annual OPEB cost	30,070
Contributions made	<u>(1,636)</u>
Increase in net OPEB obligation	28,434
Net OPEB obligation beginning of year	<u>470,258</u>
 Net OPEB obligation end of year	 <u>\$ 498,692</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$1,636 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 173,000	8.1%	\$ 159,000
2011	173,751	8.1%	318,751
2012	174,507	13.2%	470,258
2013	30,070	5.4%	498,692

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$95,743, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,743. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.018 million and the ratio of the UAAL to covered payroll was 4.7%. As of June 30, 2013, 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$616 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on a closed group method over 30 years.

(10) 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 \$2,000 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 \$54,845 at June 30, 2013.

(11) 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 \$131,236 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Foundation

The 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 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, 2013, the District determined that \$29,885 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.

(13) Deficit Fund Balances

The District had a deficit unrestricted net asset fund balance of \$31,186 in the Enterprise, Student Construction Fund as of June 30, 2013. This deficit will be eliminated by a transfer from the General Fund.

The District had a deficit unassigned fund balance of \$35,431 in the Capital Project, Building Construction Project Account as of June 30, 2013. This deficit will be eliminated through a future bond sale.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Educator quality, salary improvement program	\$ 8,272
Educator quality, model core curriculum	2,894
Limited English proficient	2,640
Educator quality, professional development	8,636
At-risk innovative grant	7,927
Total	<u>\$ 30,369</u>

(15) Commitment

In fiscal year 2013, the District accepted a bid for \$35,395 for the construction of an instructional building. This project was completed and paid for in fiscal year 2014. The cost of this project was paid for from existing cash reserves.

In fiscal year 2013, the District instituted proceedings to issue \$2,500,000 in debt. Of the \$2,500,000, a total of \$25,000 in a good faith deposit was received by the District in fiscal year 2013. The balance of the debt proceeds will be received in fiscal year 2014, at which time the debt will be a liability to the District. The proceeds of this debt will be used to finance the costs of major building additions to the District.

(16) Subsequent Events

The District has evaluated subsequent events through January 31, 2014, which is the date the financial statements were available to be issued.

(17) Accounting Restatement

The beginning balances of the capital assets (Note 4) were restated to more accurately reflect the classification of assets. However, total beginning capital asset balances did not change from the ending capital asset balances from the prior year.

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, 2013

	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	\$ 2,311,086	688,031	2,999,117	502,207	2,496,910	2,310,259	186,651
State sources	2,087,482	1,877	2,089,359	-	2,089,359	2,126,772	(37,413)
Federal sources	330,550	147,858	478,408	-	478,408	463,000	15,408
Total revenues	4,729,118	837,766	5,566,884	502,207	5,064,677	4,900,031	164,646
Expenditures/Expenses:							
Instruction	3,046,878	119,110	3,165,988	-	3,165,988	3,051,600	(114,388)
Support services	1,378,643	-	1,378,643	-	1,378,643	1,148,450	(230,193)
Non-instructional programs	795	732,785	733,580	487,453	246,127	220,000	(26,127)
Other expenditures	236,348	-	236,348	-	236,348	4,705,654	4,469,306
Total expenditures/expenses	4,662,664	851,895	5,514,559	487,453	5,027,106	9,125,704	4,098,598
Excess (deficiency) of revenues over (under) expenditures	66,454	(14,129)	52,325	14,754	37,571	(4,225,673)	4,263,244
Other financing sources (uses), net	-	-	-	-	-	4,003,500	(4,003,500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	66,454	(14,129)	52,325	14,754	37,571	(222,173)	259,744
Balances beginning of year	942,303	95,769	1,038,072	42,634	995,438	790,262	205,176
Balances end of year	\$ 1,008,757	81,640	1,090,397	57,388	1,033,009	568,089	464,920

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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 Moravia Community School District's (District) 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, 2013, expenditures in the instruction, support services and non-instructional programs functions 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%
2013	July 1, 2012	-	96	96	0.0%	2,018	4.7%

See Note 9 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, 2013

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Assets						
Cash, cash equivalents and pooled investments	\$ 35,936	33,659	112,818	-	179,110	361,523
Receivables:						
Property tax:						
Delinquent	-	642	-	1,454	742	2,838
Succeeding year	-	60,000	-	162,293	29,582	251,875
Accounts	-	-	1,116	-	-	1,116
Due from other governments	-	-	180	-	79,697	79,877
Total assets	\$ 35,936	94,301	114,114	163,747	289,131	697,229
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	632	1,988	-	36,393	39,013
Deposits payable	-	-	-	-	25,000	25,000
Due to other funds	-	-	-	1,182	-	1,182
Deferred revenue:						
Succeeding year property tax	-	60,000	-	162,293	29,582	251,875
Total liabilities	-	60,632	1,988	163,475	90,975	317,070
Fund balances:						
Nonspendable-Education foundation	29,885	-	-	-	-	29,885
Restricted for:						
Education foundation purposes	6,051	-	-	-	-	6,051
Management levy purposes	-	33,669	-	-	-	33,669
Student activities	-	-	112,126	-	-	112,126
Debt service	-	-	-	272	-	272
School infrastructure	-	-	-	-	222,004	222,004
Physical plant and equipment	-	-	-	-	11,583	11,583
Unassigned	-	-	-	-	(35,431)	(35,431)
Total fund balances	35,936	33,669	112,126	272	198,156	380,159
Total liabilities and fund balances	\$ 35,936	94,301	114,114	163,747	289,131	697,229

See accompanying independent auditor's report.

Moravia Community School District

Schedule 2

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

Year ended June 30, 2013

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ -	25,114	-	56,838	322,993	404,945
Other	4,259	2	212,126	14	2	216,403
State sources	-	19	-	42	22	83
Total revenues	4,259	25,135	212,126	56,894	323,017	621,431
Expenditures:						
Current:						
Instruction:						
Regular	6,220	71,552	-	-	-	77,772
Special	-	2,481	-	-	-	2,481
Other	-	3,163	180,511	-	-	183,674
Support services:						
Student	-	661	-	-	-	661
Instructional staff	-	319	-	-	32,279	32,598
Administration	-	10,695	-	-	-	10,695
Operation and maintenance of plant	-	10,383	-	-	120,081	130,464
Transportation	-	6,883	-	-	-	6,883
Non-instructional programs	-	795	-	-	-	795
Other expenditures:						
Facilities acquisition	-	-	-	-	47,468	47,468
Long-term debt:						
Principal	-	-	-	55,000	-	55,000
Interest and fiscal changes	-	-	-	2,644	-	2,644
Total expenditures	6,220	106,932	180,511	57,644	199,828	551,135
Excess (deficiency) of revenues over (under) expenditures	(1,961)	(81,797)	31,615	(750)	123,189	70,296
Fund balances beginning of year	37,897	115,466	80,511	1,022	74,967	309,863
Fund balances end of year	\$ 35,936	33,669	112,126	272	198,156	380,159

See accompanying independent auditor's report.

Moravia Community School District

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 240	42	-	-	282
Variety Show	2,272	565	-	-	2,837
Adopt-a-book	446	100	99	-	447
Band Trip	6,235	11,007	7,418	-	9,824
Australia Trip	-	65	-	(65)	-
Show Choir	831	755	594	-	992
Yearbook	6,650	7,617	7,221	-	7,046
Football Cheerleaders	402	1,355	1,694	-	63
Wrestling Cheerleaders	45	-	-	-	45
Drama	142	-	-	-	142
Spanish Club	429	5,465	4,751	65	1,208
FFA	2,457	37,560	15,398	-	24,619
FCCLA	923	429	950	-	402
Student Council	1,310	3,784	3,833	-	1,261
Academic Dream	17	426	628	185	-
Student Development	720	490	487	-	723
Elementary	6,223	34,046	29,812	-	10,457
Concessions	1,472	16,389	16,951	-	910
Class of 2011	150	-	-	(150)	-
Class of 2012	124	-	-	(124)	-
Class of 2013	12,574	8,265	20,456	(383)	-
Class of 2014	7,367	6,189	2,693	-	10,863
Class of 2015	3,659	3,654	459	-	6,854
Class of 2016	3,314	1,853	758	-	4,409
Class of 2017	864	1,933	458	-	2,339
Class of 2018	-	1,325	507	-	818
Class of 2019	-	997	398	150	749
Class of 2020	-	3,088	3,031	-	57
Class of 2021	-	-	-	383	383
High School Activity	3,668	3,050	5,184	(72)	1,462
Speech Club	26	-	-	-	26
National Honor Society	-	413	218	-	195
Boys Track	73	-	-	-	73
Athletics	9,748	37,953	35,985	-	11,716
Junior High Volleyball	3	469	429	-	43
Junior High Girls Basketball	9	435	444	-	-
Boys Basketball	1,232	4,543	4,046	-	1,729
High School Football	2,146	4,574	3,330	-	3,390
Baseball	1,146	385	1,146	-	385
Wrestling	315	4,073	3,164	-	1,224
Girls Basketball	571	1,529	1,121	-	979
Volleyball	2,021	3,941	3,337	-	2,625
Softball	427	621	644	-	404
Cross Country	86	-	97	11	-
Girls Track	-	2,179	2,077	-	102
Golf	174	562	693	-	43
Total	\$ 80,511	212,126	180,511	-	112,126

See accompanying independent auditor's report.

Moravia Community School District

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction Project	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 143,269	10,841	25,000	179,110
Receivables:				
Property tax:				
Delinquent	-	742	-	742
Succeeding year	-	29,582	-	29,582
Due from other governments	79,697	-	-	79,697
Total assets	\$ 222,966	41,165	25,000	289,131
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 962	-	35,431	36,393
Deposits payable	-	-	25,000	25,000
Deferred revenue:				
Succeeding year property tax	-	29,582	-	29,582
Total liabilities	962	29,582	60,431	90,975
Fund balances:				
Restricted for:				
School infrastructure	222,004	-	-	222,004
Physical plant and equipment	-	11,583	-	11,583
Unassigned	-	-	(35,431)	(35,431)
Total fund balances	222,004	11,583	(35,431)	198,156
Total liabilities and fund balances	\$ 222,966	41,165	25,000	289,131

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, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction Project	Total
Revenues:				
Local sources:				
Local tax	\$ 293,996	28,997	-	322,993
Other	-	2	-	2
State sources	-	22	-	22
Total revenues	293,996	29,021	-	323,017
Expenditures:				
Support services:				
Instructional staff	32,279	-	-	32,279
Operation and maintenance of plant	119,023	1,058	-	120,081
Other expenditures:				
Facilities acquisition	3,046	8,991	35,431	47,468
Total expenditures	154,348	10,049	35,431	199,828
Excess (deficiency) of revenues over (under) expenditures	139,648	18,972	(35,431)	123,189
Fund balances beginning of year	82,356	(7,389)	-	74,967
Fund balances end of year	\$ 222,004	11,583	(35,431)	198,156

See accompanying independent auditor's report.

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	Student Construction	School Nutrition	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ -	41,808	41,808
Accounts receivable	-	24	24
Due from other governments	-	13,604	13,604
Inventories	-	2,250	2,250
Total current assets	-	57,686	57,686
Noncurrent assets:			
Capital assets, net of accumulated depreciation	-	18,147	18,147
Total noncurrent assets	-	18,147	18,147
Total assets	-	75,833	75,833
Liabilities			
Current liabilities:			
Accounts payable	-	116	116
Salaries and benefits payable	-	8,147	8,147
Due to other funds	31,186	-	31,186
Unearned revenue	-	2,158	2,158
Total current liabilities	31,186	10,421	41,607
Noncurrent liabilities			
Net OPEB liability	-	9,974	9,974
Total noncurrent liabilities	-	9,974	9,974
Total liabilities	31,186	20,395	51,581
Net Position			
Investment in capital assets	-	18,147	18,147
Unrestricted	(31,186)	37,291	6,105
Total net position	\$ (31,186)	55,438	24,252

See accompanying independent auditor's report.

Moravia Community School District

Schedule 7

Combining Schedule of of Revenues, Expenses
and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Student Construction	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 107,500	78,299	185,799
Total operating revenues	107,500	78,299	185,799
Operating expenses:			
Instruction:			
Other instruction	119,110	-	119,110
	119,110	-	119,110
Non-instructional programs:			
Salaries	-	85,913	85,913
Benefits	-	29,585	29,585
Purchased services	-	3,816	3,816
Supplies	-	123,026	123,026
Depreciation	-	2,992	2,992
	-	245,332	245,332
Total operating expenses	119,110	245,332	364,442
Operating (loss)	(11,610)	(167,033)	(178,643)
Non-operating revenues:			
State sources	-	1,877	1,877
Federal sources	-	147,858	147,858
Interest income	-	25	25
Net non-operating revenues	-	149,760	149,760
Decrease in net position	(11,610)	(17,273)	(28,883)
Net position beginning of year	(19,576)	72,711	53,135
Net position end of year	\$ (31,186)	55,438	24,252

See accompanying independent auditor's report.

Moravia Community School District

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Student Construction	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	80,433	80,433
Cash received from miscellaneous operating activities	107,500	-	107,500
Cash payments to employees for services	-	(78,996)	(78,996)
Cash payments to suppliers for goods and services	(5,444)	(147,715)	(153,159)
Net cash provided (used) by operating activities	102,056	(146,278)	(44,222)
Cash flows from non-capital financing activities:			
State grants received	-	1,877	1,877
Federal grants received	-	142,000	142,000
Net cash provided by non-capital financing activities	-	143,877	143,877
Cash flows from capital and related financing activities:			
Interfund loan increase	12,784	-	12,784
Principal (decrease) on loan	(114,840)	-	(114,840)
Net cash (used) by capital and related financing activities	(102,056)	-	(102,056)
Cash flows from investing activities:			
Interest on investments	-	25	25
Net (decrease) in cash and cash equivalents	-	(2,376)	(2,376)
Cash and cash equivalents at beginning of year	-	44,184	44,184
Cash and cash equivalents at end of year	\$ -	41,808	41,808
Reconciliation of operating (loss) to net cash provided (used) by operating activities:			
Operating (loss)	\$ (11,610)	(167,033)	(178,643)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Commodities used	-	7,051	7,051
Depreciation	-	2,992	2,992
(Increase) in accounts receivable	-	(24)	(24)
Decrease in inventories	113,666	544	114,210
Increase in accounts payable	-	116	116
Increase in salaries and benefits payable	-	7,349	7,349
Increase in unearned revenue	-	2,158	2,158
Increase in net OPEB liability	-	569	569
Net cash provided (used) by operating activities	\$ 102,056	(146,278)	(44,222)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$7,051 of federal commodities.

Moravia Community School District

Schedule 9

Combining Schedule of Net Position
Internal Service Funds

June 30, 2013

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 2,543	54,845	57,388
Total assets	<u>2,543</u>	<u>54,845</u>	<u>57,388</u>
Liabilities			
Current liabilities:			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Unrestricted	<u>2,543</u>	<u>54,845</u>	<u>57,388</u>
Total net position	<u>\$ 2,543</u>	<u>54,845</u>	<u>57,388</u>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 10

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

Year ended June 30, 2013

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	427,834	427,834
Charges to employees and others	10,446	63,801	74,247
Total operating revenues	10,446	491,635	502,081
Operating expenses:			
Non-instructional programs:			
Insurance premiums	-	434,815	434,815
Medical claims	-	34,765	34,765
Flexible spending claims	11,349	-	11,349
Administrative fees	-	6,524	6,524
Total operating expenses	11,349	476,104	487,453
Operating income (loss)	(903)	15,531	14,628
Non-operating revenues:			
Interest income	-	126	126
Net non-operating revenues	-	126	126
Increase (Decrease) in net position	(903)	15,657	14,754
Net position beginning of year	3,446	39,188	42,634
Net position ending of year	\$ 2,543	54,845	57,388

See accompanying independent auditor's report.

Moravia Community School District

Schedule 11

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2013

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	427,834	427,834
Cash received from employees and others	10,446	63,801	74,247
Cash payments to suppliers for services	(11,349)	(476,104)	(487,453)
Net cash provided (used) by operating activities	(903)	15,531	14,628
Cash flows from investing activities:			
Interest on investments	-	126	126
Net increase (decrease) in cash and cash equivalents	(903)	15,657	14,754
Cash and cash equivalents at beginning of year	3,446	39,188	42,634
Cash and cash equivalents at end of year	\$ 2,543	54,845	57,388
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (903)	15,531	14,628
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
None	-	-	-
Net cash provided (used) by operating activities	\$ (903)	15,531	14,628

See accompanying independent auditor's report.

Moravia Community School District

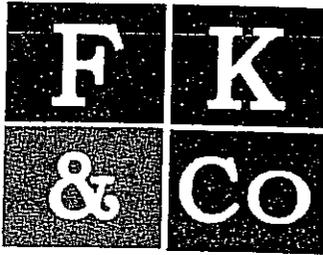
Schedule 12

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax										
Tuition	\$1,613,614	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
Other	439,156	459,136	398,636	362,679	301,352	222,893	289,844	250,341	268,743	242,808
Intermediate sources	258,316	258,627	233,000	242,574	205,313	204,157	230,243	211,508	324,919	161,032
State sources	2,087,482	2,112,133	1,922,751	1,579,743	1,878,423	1,664,519	1,586,760	1,532,826	1,438,737	1,463,061
Federal sources	330,550	247,726	329,958	441,479	252,528	172,633	248,164	320,572	154,496	203,558
Total	\$4,729,118	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	\$1,995,128	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	375,493	358,831	378,541	541,244	530,048	331,114	398,202	313,993	401,792	299,730
Other	676,257	608,117	553,178	531,272	589,668	566,413	489,379	510,474	347,552	430,728
Support services:										
Student	102,875	101,275	97,084	74,262	13,846	90,307	85,143	81,765	80,185	72,891
Instructional staff	159,860	188,503	103,743	93,135	85,674	29,639	58,090	75,068	40,678	44,222
Administration	464,596	431,985	417,788	410,919	416,614	436,077	459,719	441,552	430,681	398,037
Operation and maintenance of plant	344,838	355,551	246,005	207,547	224,937	247,452	221,922	196,670	217,573	221,807
Transportation	306,474	227,177	246,979	248,293	186,508	194,660	137,340	191,623	142,213	164,001
Non-instructional programs	795	515	617	682	475	482	457	618	495	400
Other expenditures:										
Facilities acquisition	47,468	100,448	103,220	81,683	102,337	230,147	58,392	267,315	53,081	3,364
Long-term debt:										
Principal	55,000	90,000	90,000	85,000	85,000	85,000	80,000	75,000	79,676	74,883
Interest and other charges	2,644	5,975	9,030	11,784	14,378	16,935	18,634	20,435	22,830	34,948
AEA flowthrough	131,236	126,933	132,313	122,476	111,392	103,255	96,106	91,933	87,761	89,358
Total	\$4,662,664	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.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District (District) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies 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 a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2013 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.

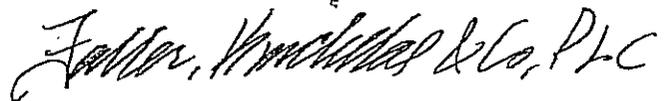
The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Faller, Kincheloe & Co., PLC
Certified Public Accountants

January 31, 2014

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the Moravia Community School District (District):

- (1) Cash – initiating cash disbursement transactions and recording cash.
- (2) Investments – investing, detailed recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – recording, journalizing, posting and reconciling.
- (4) Disbursements – purchase order processing, check preparation, mailing and recording.
- (5) Capital assets – purchasing, recording and reconciling.
- (6) Long-term debt – recording, reconciling and performing cash functions.
- (7) Wire transfers – processing and approving.
- (8) Payroll – recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- (9) Transfers – preparing and approving.
- (10) Financial reporting – preparing, reconciling and approving.
- (11) Computer systems – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

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

Conclusion – Response acknowledged.

(B) Moravia Education Foundation – A double entry accounting system is not used by the Moravia Education Foundation (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, 2013.

Recommendation – The Foundation should 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 acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

- (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 acknowledged.

- (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 acknowledged.

- (E) 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. The District does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles 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.

- (F) Financial Reporting – During the audit, we identified material amounts of cash, inventory, liabilities, fund balance, receivables, revenues, expenditures, fixed assets and long-term debt amounts not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all balances and transactions are identified and included in the District's financial statements.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

Response – We will double check these in the future to avoid missing any of these types of transactions.

Conclusion – Response acknowledged.

- (G) General Fixed Assets – The District does not have a detail 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.

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 acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the instruction, support services and non-instructional program functions.

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

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

Conclusion – Response acknowledged.

- (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 Moravia Community School District (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:

Name, Title and Business Connection	Transaction Description	Amount
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$ 196
Steve Smith, Board Member	Coaching	2,908
John Baty, Board Member Owner of Baty Electric	Repair/Maintenance	12,532

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 appear to represent conflicts of interest.

The District buys school supplies and merchandise from a locally owned family business (\$10,485 purchased from 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.

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 should consult legal counsel 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, 2013

Response – We will discuss this with our School Attorney.

Conclusion – Response acknowledged.

- (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 were not timely published, as required by Chapter 279.35 of the Code of Iowa.

For split votes, the Board minutes do not document the vote of each member, as required by Chapter 21.3 of the Code of Iowa.

Two disbursements had insufficient documentation they had been approved for payment by the Board President in advance of Board approval, as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – All Board minutes should be timely published as required by Chapter 279.35 of the Code of Iowa. In addition, the vote of each member should be documented in the Board minutes, as required by the Code of Iowa. Also, sufficient documentation should be maintained to evidence proper Board President approval of disbursements paid in advance of Board approval.

Response – We will implement these recommendations. In regards to the board minutes not timely published, our board meeting was held on December 10, 2012. The Board Secretary electronically mailed the minutes to the newspaper on Tuesday December 18, 2012 at 10:46 A.M. The newspaper has a Tuesday night deadline, so the Board Secretary sent the minutes to the newspaper in plenty of time. However, the newspaper did not print these minutes in the December 19, 2012 issue as we originally expected. Instead, the newspaper printed these minutes in the December 26, 2012 issue. Our official District newspaper only publishes one time per week. As a result, due to no fault of the District, the District did not meet the two week publication requirements as required by the Iowa Code.

Conclusion – Response acknowledged.

- (7) Certified Enrollment – The total students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October 2012, was understated by one student.

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

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

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

- (8) Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

For concurrent community college enrollment, the District claimed 1.91 as supplementary weighting. However, based on the criteria of this program, the District should have only claimed 1.89 as supplementary weighting.

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

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

Conclusion – Response acknowledged

- (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 acknowledged.

- (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 acknowledged.

- (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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 82,356
Revenues/transfers in:		
Sales tax revenues		<u>293,996</u>
		376,352
Expenditures:		
Equipment	\$ 32,279	
Furniture and fixtures	41,379	
School infrastructure construction	<u>80,690</u>	<u>154,348</u>
Ending balance		<u>\$ 222,004</u>

For the year ended June 30, 2013, 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 Enterprise, Student Construction Fund had a deficit unrestricted net asset fund balance of \$31,186 as June 30, 2013. In addition, the Capital Projects, Building Construction Project Account had a deficit unrestricted fund balance of \$35,431 as of June 30, 2013.

Recommendation – The District should continue to monitor the deficits in the Enterprise, Student Construction Fund and the Capital Projects, Building Construction Project Account and investigate alternatives to eliminate these deficits.

Response – We will continue to monitor these funds and investigate alternatives to return all of these funds to a reasonable level.

Conclusion – Response acknowledged.

- (14) Interfund Loans – The Iowa Department of Education issued a Declaratory Order (Order) dated October 22, 2009 outlining requirements for interfund loans. During the current and prior fiscal year, the District made loans between various funds. The District did not comply with the Order's requirements, as follows:

- The interfund loans were not always formally approved by the Board.
- A provision for interest was not included in the resolution authorizing the interfund loan.
- The loans were not repaid by October 1 of the fiscal year following the fiscal year in which the loan occurred. For loans unable to be repaid, the District did not follow the remedies available under Chapter 74, 278.1(5) or 24.22 of the Code of Iowa.

Recommendation – The District should comply with the requirements for existing and future interfund loans.

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

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

- (15) Payroll – A non-exempt employee who is a teacher associate is not required to keep a timesheet for coaching duties.

It appears the State of Iowa Workforce Development reports filed with the State of Iowa are materially understated.

Recommendation – To be in compliance with the Fair Labor Standards Act, the District should implement procedures to ensure all non-exempt employees keep timesheets to include all hours worked, and that overtime hours worked by non-exempt employees are compensated at time-and-one-half. In addition, the District should contact the State of Iowa in relation to the understated State of Iowa Workforce Development reports.

Response – We will review this area, and implement these recommendations, where feasible.

Conclusion – Response acknowledged.

- (16) Student Activity Fund – Two instances were noted where the District gave a significant amount of cash to students. In these instances, the students were on a trip, which was paid for from the Special Revenue, Student Activity Fund. No documentation was ever provided to the District as to how the students spent this money. The Department of Education notes that “it is never appropriate for a school district to give cash to student members of activity groups.”

Recommendation – The District should follow the advice of the Department of Education and do not give cash to student members of activity groups.

Response – We will review this.

Conclusion – Response acknowledged.

- (17) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and the back of each cancelled check. In some cases, the District retains cancelled checks through electronic image, but in other cases the District did not obtain an image of the back of each cancelled check as required.

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

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (18) Miscellaneous – The District paid architect fees from the General Fund. Based on guidance from the Department of Education, it is questionable if these types of expenses can be paid from the General Fund.

Due to late filing with the United States Department of Education, it appears the District lost over \$11,000 in impact aid reimbursement.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2013

Recommendation – The District should implement procedures to ensure all costs are paid from the correct fund, and determine if a corrective transfer is necessary in relation to the architect fees. It would appear more appropriate that these types of expenses could be paid for from the Capital Projects Fund.

In addition, to ensure all monies due to the District are received by the District, the District should ensure that all reports are timely filed with the United States Department of Education.

Response – We will review the above, and take corrective action as necessary.

Conclusion – Response acknowledged.