

MORAVIA COMMUNITY SCHOOL DISTRICT

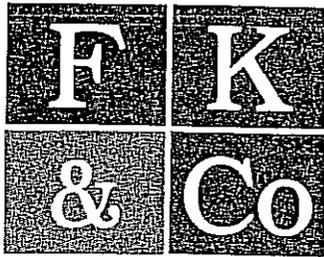
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 audit 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

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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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those 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 eight years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, 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 February 19, 2015, 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

February 19, 2015
Des Moines, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,107,687 in fiscal year 2013 to \$4,123,222 in fiscal year 2014, while General Fund expenditures increased from \$4,111,529 in fiscal year 2013 to \$4,171,728 in fiscal year 2014. The District's General Fund balance decreased from \$628,598 at the end of fiscal year 2013 to \$575,080 at the end of fiscal year 2014, a 9% decrease.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal year 2013 to fiscal year 2014, revenue increased \$15,535.

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.

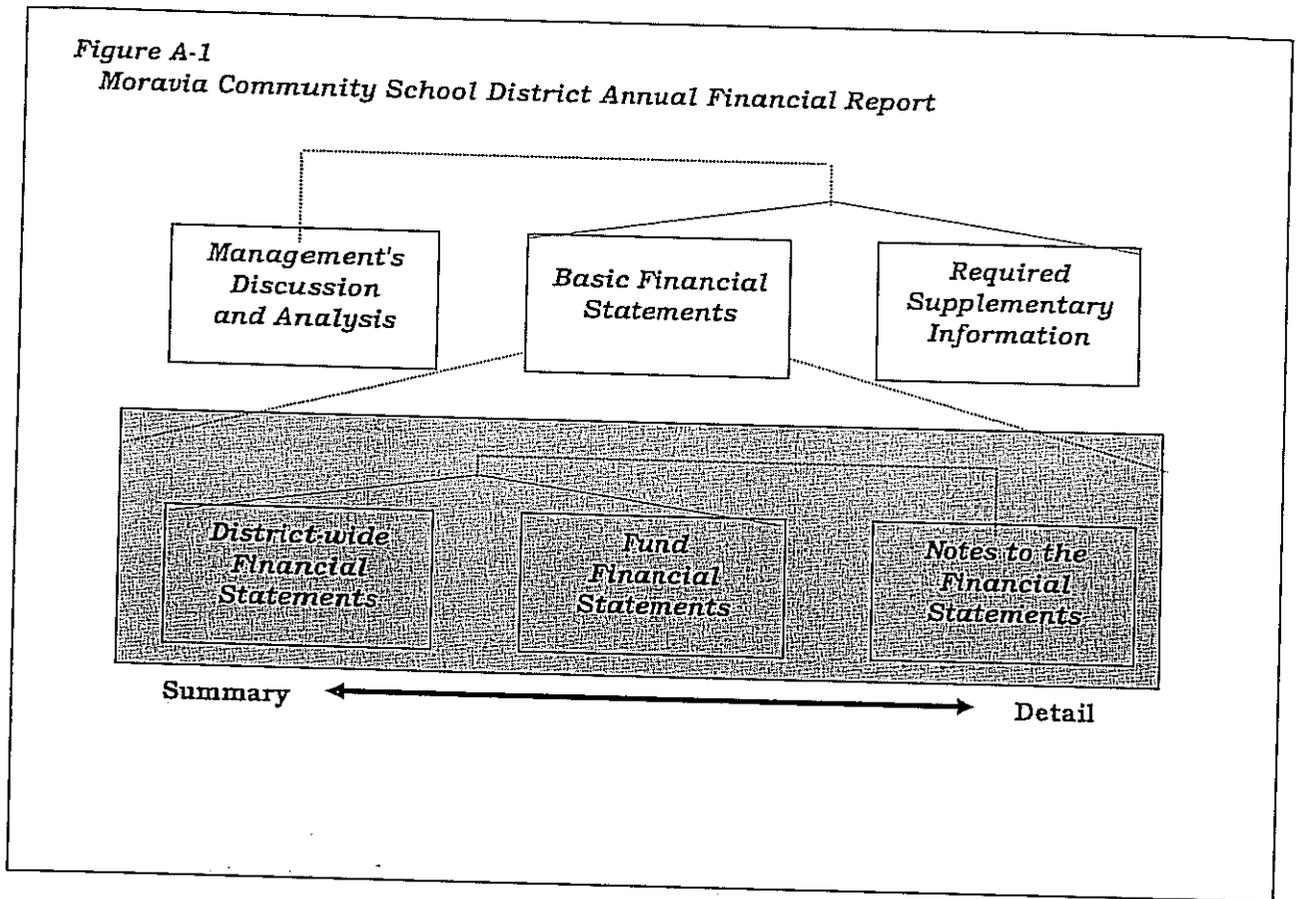


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the 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 position is 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, 2014 compared to June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change June 30, 2013-2014
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 5,409	3,016	42	58	5,451	3,074	77.3%
Capital assets	2,587	2,064	15	18	2,602	2,082	25.0%
Total assets	7,996	5,080	57	76	8,053	5,156	56.2%
Long-term liabilities	2,920	489	11	10	2,931	499	487.4%
Other liabilities	628	476	4	42	632	518	22.0%
Total liabilities	3,548	965	15	52	3,563	1,017	250.3%
Deferred inflows of resources	1,356	1,343	-	-	1,356	1,343	1.0%
Net position:							
Net investment in capital assets	2,332	2,064	15	18	2,347	2,082	12.7%
Restricted	548	451	-	-	548	451	21.5%
Unrestricted	212	257	27	6	239	263	-9.1%
Total net position	\$ 3,092	2,772	42	24	3,134	2,796	12.1%

The District's total net position increased nearly 12.1%, or approximately \$338,000, from 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 \$97,000, or 21.5% over the prior year. The increase was primarily due to unspent general obligation bond proceeds in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$24,000, or 9.1%. The decrease in unrestricted net position was primarily due to a decrease of the fund balance in the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 822	657	81	186	903	843	7.1%
Operating grants, contributions and restricted interest	698	709	154	150	852	859	-0.8%
General revenues:							
Property tax	1,342	1,321	-	-	1,342	1,321	1.6%
Income surtax	135	130	-	-	135	130	3.8%
Statewide sales, services and use tax	299	294	-	-	299	294	1.7%
Unrestricted state grants	1,549	1,564	-	-	1,549	1,564	-1.0%
Unrestricted investment earnings	2	1	-	-	2	1	100.0%
Other	108	177	-	-	108	177	-39.0%
Total revenues	<u>4,955</u>	<u>4,853</u>	<u>235</u>	<u>336</u>	<u>5,190</u>	<u>5,189</u>	<u>0.0%</u>
Program expenses:							
Instruction	2,988	3,013	-	119	2,988	3,132	-4.6%
Support services	1,298	1,193	-	-	1,298	1,193	8.8%
Non-instructional programs	1	1	248	246	249	247	0.8%
Other expenses	317	174	-	-	317	174	82.2%
Total expenses	<u>4,604</u>	<u>4,381</u>	<u>248</u>	<u>365</u>	<u>4,852</u>	<u>4,746</u>	<u>2.2%</u>
Change in net position before transfers	351	472	(13)	(29)	338	443	-23.7%
Transfers, net	(31)	-	31	-	-	-	0.0%
Change in net position	320	472	18	(29)	338	443	-23.7%
Net position beginning 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>
Net position end of year	<u>\$ 3,092</u>	<u>2,772</u>	<u>42</u>	<u>24</u>	<u>3,134</u>	<u>2,796</u>	<u>12.1%</u>

In fiscal 2014, property tax and unrestricted state grants account for 58.3% 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 \$4.96 million was for governmental activities and approximately \$235,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced no material change in revenues and a 2.2% increase in expenses. Property tax and charges for service increased approximately \$21,000 and \$60,000, 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 \$4,954,297 and expenses were \$4,604,052 for the year ended June 30, 2014. 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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 2,988	3,013	-0.8%	1,611	1,790	-10.0%
Support services	1,298	1,193	8.8%	1,290	1,181	9.2%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	317	174	82.2%	183	43	325.6%
Total	\$ 4,604	4,381	5.1%	3,085	3,015	2.3%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$822,257.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$697,347.
- The net cost of governmental activities was financed with \$1,776,992 in property and other tax and \$1,548,820 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$234,949, representing a 30.0% decrease under the prior year while expenses totaled \$248,731, a 31.8% decrease under the prior year. The District's business type activities include the School Nutrition Fund and the Student Construction Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income. The decrease in revenues and expenses in the fiscal year can be attributed to the sale of the student-built home in fiscal year 2013, with nothing similar in fiscal year 2014.

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 \$3,217,267, above last year's ending fund balances of \$1,008,757. The primary reason for the increase was the result of revenues in excess of expenditures in the Capital Projects Fund in fiscal year 2014.

Governmental Fund Highlights

- The General Fund balance decreased from \$628,598 to \$575,080 was primarily due to an increase in salaries and benefits and building operation, and transportation expenses.
- The Capital Projects Fund balance increased due to the sale of \$2,500,000 of general obligation bonds during fiscal year 2014. Fiscal year 2014 ended with a balance of \$2,442,112, consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

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 2014 than was planned.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$2.6 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 25% 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 \$108,937.

The original cost of the District's capital assets was approximately \$4.9 million. Governmental funds account for approximately \$4.8 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 construction in progress and the purchase of transportation vehicles. The majority of the construction in progress was due to costs incurred in relation to the new elementary building addition and a new gymnasium.

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,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 12	13	-	-	12	13	-7.7%
Construction in progress	527	58	-	-	527	58	808.6%
Buildings	1,189	1,187	-	-	1,189	1,187	0.2%
Improvements other than buildings	482	497	-	-	482	497	-3.0%
Furniture and equipment	377	309	15	18	392	327	19.9%
Totals	\$ 2,587	2,064	15	18	2,602	2,082	25.0%

Long-Term Debt

At June 30, 2014, the District had \$2,405,000 in total long-term debt outstanding. This represents an increase of 100% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 2,405	-	100.0%
Totals	\$ 2,405	-	100.0%

In fiscal year 2013, the District's voters authorized the issuance of \$2,500,000 of general obligation bonds to pay for construction of a new elementary building addition and a new gymnasium. Planning for the project started in fiscal year 2013 and the bond proceeds were received during fiscal year 2014. The District had total outstanding bonded indebtedness at June 30, 2014 of \$2,405,000.

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, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 3,708,721	27,111	3,735,832
Receivables:			
Property tax:			
Delinquent	27,050	-	27,050
Succeeding year	1,356,155	-	1,356,155
Accounts	15,220	-	15,220
Due from other governments	301,502	12,275	313,777
Inventories	-	2,756	2,756
Capital assets, net of accumulated depreciation	2,586,867	15,155	2,602,022
Total assets	7,995,515	57,297	8,052,812
Liabilities			
Accounts payable	15,094	-	15,094
Contracts payable	305,312	-	305,312
Salaries and benefits payable	287,898	-	287,898
Due to other governments	13,962	-	13,962
Accrued interest payable	5,859	-	5,859
Unearned revenue	-	4,447	4,447
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	100,000	-	100,000
Portion due after one year:			
General obligation bonds	2,305,000	-	2,305,000
Net OPEB liability	514,906	11,194	526,100
Total liabilities	3,548,031	15,641	3,563,672
Deferred Inflows of Resources			
Unavailable property tax revenue	1,356,155	-	1,356,155
Net Position			
Net investment in capital assets	2,331,895	15,155	2,347,050
Restricted:			
Nonexpendable:			
Education foundation	29,886	-	29,886
Expendable:			
Categorical funding	49,948	-	49,948
Restricted donation	5,280	-	5,280
Education foundation purposes	4,877	-	4,877
Management levy purposes	28,573	-	28,573
Student activities	136,980	-	136,980
School infrastructure	289,459	-	289,459
Physical plant and equipment	2,625	-	2,625
Unrestricted	211,806	26,501	238,307
Total net position	\$ 3,091,329	41,656	3,132,985

See notes to financial statements.

Moravia Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2014

Functions / Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,861,405	540,071	405,740	-	(915,594)	-	(915,594)
Special instruction	373,316	35,515	147,150	-	(190,651)	-	(190,651)
Other instruction	753,147	238,277	10,271	-	(504,599)	-	(504,599)
	<u>2,987,868</u>	<u>813,863</u>	<u>563,161</u>	<u>-</u>	<u>(1,610,844)</u>	<u>-</u>	<u>(1,610,844)</u>
Support services:							
Student	72,342	-	-	-	(72,342)	-	(72,342)
Instructional staff	145,168	-	-	-	(145,168)	-	(145,168)
Administration	506,949	-	-	-	(506,949)	-	(506,949)
Operation and maintenance of plant	312,951	7,840	-	-	(305,111)	-	(305,111)
Transportation	261,080	554	-	-	(260,526)	-	(260,526)
	<u>1,298,490</u>	<u>8,394</u>	<u>-</u>	<u>-</u>	<u>(1,290,096)</u>	<u>-</u>	<u>(1,290,096)</u>
Non-instructional programs	853	-	-	-	(853)	-	(853)
Other expenditures:							
Facilities acquisition	28,430	-	-	-	(28,430)	-	(28,430)
Long-term debt interest	117,847	-	18	-	(117,829)	-	(117,829)
AEA flowthrough	134,168	-	134,168	-	-	-	-
Depreciation (unallocated)*	36,396	-	-	-	(36,396)	-	(36,396)
	<u>316,841</u>	<u>-</u>	<u>134,186</u>	<u>-</u>	<u>(182,655)</u>	<u>-</u>	<u>(182,655)</u>
Total governmental activities	<u>4,604,052</u>	<u>822,257</u>	<u>697,347</u>	<u>-</u>	<u>(3,084,448)</u>	<u>-</u>	<u>(3,084,448)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	248,731	80,695	154,236	-	-	(13,800)	(13,800)
Total business type activities	<u>248,731</u>	<u>80,695</u>	<u>154,236</u>	<u>-</u>	<u>-</u>	<u>(13,800)</u>	<u>(13,800)</u>
Total	<u>\$ 4,852,783</u>	<u>902,952</u>	<u>851,583</u>	<u>-</u>	<u>(3,084,448)</u>	<u>(13,800)</u>	<u>(3,098,248)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 1,150,548	-	1,150,548
Debt service					162,275	-	162,275
Capital outlay					29,579	-	29,579
Income surtax					135,325	-	135,325
Statewide sales, services and use tax					299,265	-	299,265
Unrestricted state grants					1,548,820	-	1,548,820
Unrestricted investment earnings					1,770	18	1,788
Premium on general obligation bonds					44,181	-	44,181
Gain on disposition of capital assets					3,000	-	3,000
Other					59,930	-	59,930
Transfers					(31,186)	31,186	-
Total general revenues and transfers					<u>3,403,507</u>	<u>31,204</u>	<u>3,434,711</u>
Change in net position					319,059	17,404	336,463
Net position beginning of year					<u>2,772,270</u>	<u>24,252</u>	<u>2,796,522</u>
Net position end of year					<u>\$ 3,091,329</u>	<u>41,656</u>	<u>3,132,985</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, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 767,712	2,653,508	199,164	3,620,384
Receivables:				
Property tax:				
Delinquent	21,978	596	4,476	27,050
Succeeding year	1,075,780	30,073	250,302	1,356,155
Accounts	15,190	-	30	15,220
Due from other funds	3,509	-	-	3,509
Due from other governments	200,760	100,742	-	301,502
Total assets	\$2,084,929	2,784,919	453,972	5,323,820
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,586	7,422	86	15,094
Contracts payable	-	305,312	-	305,312
Salaries and benefits payable	287,898	-	-	287,898
Due to other governments	13,962	-	-	13,962
Due to other funds	-	-	3,509	3,509
Total liabilities	309,446	312,734	3,595	625,775
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,075,780	30,073	250,302	1,356,155
Other	124,623	-	-	124,623
Total deferred inflows of resources	1,200,403	30,073	250,302	1,480,778
Fund balances:				
Nonspendable-Education foundation	-	-	29,886	29,886
Restricted for:				
Categorical funding	49,948	-	-	49,948
Restricted donation	5,280	-	-	5,280
Education foundation purposes	-	-	4,877	4,877
Management levy purposes	-	-	28,573	28,573
Student activities	-	-	136,980	136,980
School infrastructure	-	2,439,487	-	2,439,487
Physical plant and equipment	-	2,625	-	2,625
Unassigned	519,852	-	(241)	519,611
Total fund balances	575,080	2,442,112	200,075	3,217,267
Total liabilities, deferred inflows of resources and fund balances	\$2,084,929	2,784,919	453,972	5,323,820

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, 2014

Total fund balances of governmental funds (page 20)	\$ 3,217,267
<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.	2,586,867
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.	88,337
Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	124,623
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(5,859)
Long-term liabilities, including bonds payable and other post-employment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(2,919,906)</u>
Net position of governmental activities (page 18)	<u>\$ 3,091,329</u>

See notes to financial statements.

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

Year ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,231,608	29,477	222,201	1,483,286
Tuition	575,585	-	-	575,585
Other	32,744	2	238,603	271,349
State sources	2,059,009	299,367	54	2,358,430
Federal sources	224,276	-	-	224,276
Total revenues	4,123,222	328,846	460,858	4,912,926
Expenditures:				
Current:				
Instruction:				
Regular	1,863,172	-	26,168	1,889,340
Special	376,753	-	2,877	379,630
Other	516,922	-	216,633	733,555
	2,756,847	-	245,678	3,002,525
Support services:				
Student	80,498	-	598	81,096
Instructional staff	127,031	16,618	299	143,948
Administration	487,447	-	12,183	499,630
Operation and maintenance of plant	271,592	50,231	11,453	333,276
Transportation	314,145	-	8,915	323,060
	1,280,713	66,849	33,448	1,381,010
Non-instructional programs	-	-	853	853
Other expenditures:				
Facilities acquisition	-	460,913	-	460,913
Long-term debt:				
Principal	-	-	95,000	95,000
Interest, fiscal charges and bond issuance costs	-	78,135	67,807	145,942
AEA flowthrough	134,168	-	-	134,168
	134,168	539,048	162,807	836,023
Total expenditures	4,171,728	605,897	442,786	5,220,411
Excess (deficiency) of revenues over (under) expenditures	(48,506)	(277,051)	18,072	(307,485)
Other financing sources (uses):				
Sale of capital assets	3,000	-	-	3,000
Issuance of general obligation bonds	-	2,500,000	-	2,500,000
Premium on general obligation bonds	-	44,181	-	44,181
Operating transfers in	23,174	-	-	23,174
Operating transfers out	(31,186)	(23,174)	-	(54,360)
Total other financing sources (uses)	(5,012)	2,521,007	-	2,515,995
Change in fund balances	(53,518)	2,243,956	18,072	2,208,510
Fund balances beginning of year	628,598	198,156	182,003	1,008,757
Fund balances end of year	\$ 575,080	2,442,112	200,075	3,217,267

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, 2014

Net change in fund balances - total governmental funds (page 22)		\$ 2,208,510
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>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:</p>		
Expenditures for capital assets	\$ 631,599	
Depreciation expense	<u>(105,945)</u>	525,654
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(3,197)
Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.		(5,810)
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances exceeded repayments, as follows:</p>		
Issued	(2,500,000)	
Repaid	<u>95,000</u>	(2,405,000)
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.		(5,859)
<p>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:</p>		
Other postemployment benefits	<u>(26,188)</u>	(26,188)
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.		<u>30,949</u>
Change in net position of governmental activities (page 19)		<u>\$ 319,059</u>

Moravia Community School District

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2014

	Business - Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,111	88,337
Due from other governments	12,275	-
Inventories	2,756	-
Total current assets	<u>42,142</u>	<u>88,337</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	15,155	-
Total noncurrent assets	<u>15,155</u>	<u>-</u>
Total assets	<u>57,297</u>	<u>88,337</u>
Liabilities		
Current liabilities:		
Unearned revenue	4,447	-
Total current liabilities	<u>4,447</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	11,194	-
Total noncurrent liabilities	<u>11,194</u>	<u>-</u>
Total liabilities	<u>15,641</u>	<u>-</u>
Net Position		
Net investment in capital assets	15,155	-
Unrestricted	26,501	88,337
Total net position	<u>\$ 41,656</u>	<u>88,337</u>

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, 2014

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Operating revenues:		
Local sources:		
Charges to operating funds	\$ -	425,705
Charges for service	80,695	-
Charges to employees and others	-	83,619
Total operating revenues	<u>80,695</u>	<u>509,324</u>
Operating expenses:		
Non-instructional programs:		
Salaries	85,933	-
Benefits	28,132	-
Purchased services	2,696	-
Supplies	128,978	-
Insurance premiums	-	443,264
Medical claims	-	20,244
Flexible spending claims	-	8,782
Administrative fees	-	6,242
Depreciation	2,992	-
Total operating expenses	<u>248,731</u>	<u>478,532</u>
Operating income (loss)	<u>(168,036)</u>	<u>30,792</u>
Non-operating revenues:		
State sources	2,015	-
Federal sources	152,221	-
Interest income	18	157
Net non-operating revenues	<u>154,254</u>	<u>157</u>
Excess (deficiency) of revenues over (under) expenses	<u>(13,782)</u>	<u>30,949</u>
Other financing sources (uses):		
Operating transfers in	31,186	-
Total other financing sources (uses)	<u>31,186</u>	<u>-</u>
Increase in net position	17,404	30,949
Net position beginning of year	<u>24,252</u>	<u>57,388</u>
Net position end of year	<u>\$ 41,656</u>	<u>88,337</u>

See notes to financial statements.

Moravia Community School District

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 83,008	-
Cash received from operating fund reimbursements	-	425,705
Cash received from employees and others	-	83,619
Cash payments to suppliers for services	-	(478,532)
Cash payments to employees for services	(120,992)	-
Cash payments to suppliers for goods and services	(126,521)	-
Net cash provided (used) by operating activities	<u>(164,505)</u>	<u>30,792</u>
Cash flows from non-capital financing activities:		
State grants received	2,015	-
Federal grants received	147,775	-
Operating transfers in	31,186	-
Net cash provided by non-capital financing activities	<u>180,976</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Interfund loan decrease	(31,186)	-
Net cash (used) by capital and related financing activities	<u>(31,186)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	18	157
Net (decrease) in cash and cash equivalents	(14,697)	30,949
Cash and cash equivalents at beginning of year	41,808	57,388
Cash and cash equivalents at end of year	<u>27,111</u>	<u>88,337</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(168,036)	30,792
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	5,775	-
Depreciation	2,992	-
Decrease in accounts receivable	24	-
(Increase) in inventories	(506)	-
(Decrease) in accounts payable	(116)	-
(Decrease) in salaries and benefits payable	(8,147)	-
Increase in unearned revenue	2,289	-
Increase in net OPEB liability	1,220	-
Net cash provided (used) by operating activities	<u>\$ (164,505)</u>	<u>30,792</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$5,775 of federal commodities.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2014

(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 and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position 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 funds:

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

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

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, Deferred Inflows of Resources and Fund Equity

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

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

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of income surtax as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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, 2014, expenditures exceeded the amounts budgeted in the support services function.

(2) Cash, Cash Equivalents and Investments

The District's deposits in banks at June 30, 2014 and at other times during the year were not 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$45,185, 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, 2014, the cost of the stock was \$25,174, and the fair value was \$6,406. 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 detail of interfund receivable and payable at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 3,509

The above represents 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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 12,448	-	-	12,448
Construction in progress	57,604	469,634	-	527,238
Total capital assets not being depreciated	70,052	469,634	-	539,686
Capital assets being depreciated:				
Buildings	2,804,213	40,679	9,992	2,834,900
Improvements other than buildings	715,247	18,106	-	733,353
Furniture and equipment	691,658	103,180	72,000	722,838
Total capital assets being depreciated	4,211,118	161,965	81,992	4,291,091
Less accumulated depreciation for:				
Buildings	1,616,467	36,396	6,795	1,646,068
Improvements other than buildings	218,086	33,685	-	251,771
Furniture and equipment	382,207	35,864	72,000	346,071
Total accumulated depreciation	2,216,760	105,945	78,795	2,243,910
Total capital assets being depreciated, net	1,994,358	56,020	3,197	2,047,181
Governmental activities capital assets, net	\$ 2,064,410	525,654	3,197	2,586,867
Business type activities:				
Furniture and equipment	\$ 127,694	-	-	127,694
Less accumulated depreciation	109,547	2,992	-	112,539
Business type activities capital assets, net	\$ 18,147	(2,992)	-	15,155

Depreciation expense was charged to the following functions:

Government activities:

Instruction:	
Other	\$ 4,739
Support services:	
Operation and maintenance of plant	34,801
Transportation	<u>30,009</u>
	69,549
Unallocated	<u>36,396</u>
Total depreciation expense - governmental activities	<u>\$ 105,945</u>

Business type activities:
Food service operations

\$ 2,992

(5) Interfund Transfers

The details of interfund transfers for the year ended June 30, 2014 are as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 23,174
Enterprise: Student Construction	General	<u>31,186</u>
Total		<u>\$ 54,360</u>

The above represents transfers made to correct prior year incorrect recording, and a transfer to close out the Enterprise, Student Construction Fund.

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	2,500,000	95,000	2,405,000	100,000
Net OPEB liability	488,718	26,188	-	514,906	-
Total	<u>\$ 488,718</u>	<u>2,526,188</u>	<u>95,000</u>	<u>2,919,906</u>	<u>100,000</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 9,974	1,220	-	11,194	-
Total	<u>\$ 9,974</u>	<u>1,220</u>	<u>-</u>	<u>11,194</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation indebtedness is as follows:

Year Ending June 30,	Bond Issue of July 1, 2013			
	Interest Rates	Principal	Interest	Total
2015	4.00%	\$ 100,000	70,302	170,302
2016	4.00%	100,000	66,303	166,303
2017	3.50%	105,000	62,302	167,302
2018	3.00%	110,000	58,628	168,628
2019	2.00%	110,000	55,328	165,328
2020-2024	2.00-2.40%	595,000	241,798	836,798
2025-2029	2.60-3.10%	675,000	163,877	838,877
2030-2033	3.25-3.40%	610,000	52,032	662,032
Total		<u>\$ 2,405,000</u>	<u>770,570</u>	<u>3,175,570</u>

(7) **Operating Lease**

The District 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, 2014:

Year Ended June 30,	Amount
2015	\$ 12,817
2016	11,543
2017	<u>11,542</u>
	<u>\$ 35,902</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement was \$10,629.

(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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$215,674, \$201,566 and \$181,300, 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 47 active and no 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,197
Interest on net OPEB obligation	12,461
Adjustment to annual required contribution	<u>(35,250)</u>
Annual OPEB cost	27,408
Contributions made	<u>-</u>
Increase in net OPEB obligation	27,408
Net OPEB obligation beginning of year	<u>498,692</u>
Net OPEB obligation end of year	<u>\$ 526,100</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, 2014.

For the year ended June 30, 2014, the District contributed \$0 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
2012	\$ 174,507	13.2%	\$ 470,258
2013	30,070	5.4%	498,692
2014	27,408	0.0%	526,100

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$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 \$2.096 million and the ratio of the UAAL to covered payroll was 4.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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 \$83,116 at June 30, 2014.

(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 \$134,168 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(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, 2014, the District determined that \$29,886 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 unassigned fund balance of \$241 in the Debt Service Fund as of June 30, 2014. This deficit will be eliminated through subsequent property tax collections.

(14) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 8,082
Successful Progression for Early Readers	11,851
Professional Development for Model Core Curriculum	5,190
Professional Development	20,488
Teacher Leadership Grants	<u>4,337</u>
Total	<u>\$ 49,948</u>

(15) Commitment

The District entered into a contract totaling \$3,400,381 for the construction of a new school addition. As of June 30, 2014, costs of \$305,312 had been incurred against the contract. The contract balance will be paid as work on the projects progress.

(16) Subsequent Events

The District has evaluated subsequent events through February 19, 2015, which is the date the financial statements were available to be issued.

(17) Prospective Accounting Change

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

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, 2014

	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	\$ 2,330,220	590,194	2,920,414	509,481	2,410,933	6,613,597	(4,202,664)
State sources	2,358,430	2,015	2,360,445	-	2,360,445	2,158,462	201,983
Federal sources	224,276	152,221	376,497	-	376,497	469,000	(92,503)
Total revenues	4,912,926	744,430	5,657,356	509,481	5,147,875	9,241,059	(4,093,184)
Expenditures/Expenses:							
Instruction	3,002,525	-	3,002,525	-	3,002,525	3,275,000	272,475
Support services	1,381,010	-	1,381,010	-	1,381,010	1,366,000	(15,010)
Non-instructional programs	853	727,263	728,116	478,532	249,584	280,000	30,416
Other expenditures	836,023	-	836,023	-	836,023	3,907,262	3,071,239
Total expenditures/expenses	5,220,411	727,263	5,947,674	478,532	5,469,142	8,828,262	3,359,120
Excess (deficiency) of revenues over (under) expenditures	(307,485)	17,167	(290,318)	30,949	(321,267)	412,797	(734,064)
Other financing sources (uses), net	2,515,995	31,186	2,547,181	-	2,547,181	841,207	1,705,974
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	2,208,510	48,353	2,256,863	30,949	2,225,914	1,254,004	971,910
Balances beginning of year	1,008,757	81,640	1,090,397	57,388	1,033,009	667,224	365,785
Balances end of year	\$ 3,217,267	129,993	3,347,260	88,337	3,258,923	1,921,228	1,337,695

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, 2014, expenditures in the support services function exceeded the amount 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%
2014	July 1, 2012	-	96	96	0.0%	2,096	4.6%

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, 2014

	Special Revenue				Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	
Assets					
Cash, cash equivalents and pooled investments	\$ 34,763	27,365	137,036	-	199,164
Receivables:					
Property tax:					
Delinquent	-	1,208	-	3,268	4,476
Succeeding year	-	80,000	-	170,302	250,302
Accounts	-	-	30	-	30
Total assets	\$ 34,763	108,573	137,066	173,570	453,972
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	86	-	86
Due to other funds	-	-	-	3,509	3,509
Total liabilities	-	-	86	3,509	3,595
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	80,000	-	170,302	250,302
Total deferred inflows of resources	-	80,000	-	170,302	250,302
Fund balances:					
Nonspendable-Education foundation	29,886	-	-	-	29,886
Restricted for:					
Education foundation purposes	4,877	-	-	-	4,877
Management levy purposes	-	28,573	-	-	28,573
Student activities	-	-	136,980	-	136,980
Unassigned	-	-	-	(241)	(241)
Total fund balances	34,763	28,573	136,980	(241)	200,075
Total liabilities, deferred inflows of resources and fund balances	\$ 34,763	108,573	137,066	173,570	453,972

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, 2014

	Special Revenue				Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ -	59,968	-	162,233	222,201
Other	291	4	238,278	30	238,603
State sources	-	23	-	31	54
Total revenues	291	59,995	238,278	162,294	460,858
Expenditures:					
Current:					
Instruction:					
Regular	1,464	24,704	-	-	26,168
Special	-	2,877	-	-	2,877
Other	-	3,209	213,424	-	216,633
Support services:					
Student	-	598	-	-	598
Instructional staff	-	299	-	-	299
Administration	-	12,183	-	-	12,183
Operation and maintenance of plant	-	11,453	-	-	11,453
Transportation	-	8,915	-	-	8,915
Non-instructional programs	-	853	-	-	853
Other expenditures:					
Long-term debt:					
Principal	-	-	-	95,000	95,000
Interest and fiscal changes	-	-	-	67,807	67,807
Total expenditures	1,464	65,091	213,424	162,807	442,786
Change in fund balances	(1,173)	(5,096)	24,854	(513)	18,072
Fund balances beginning of year	35,936	33,669	112,126	272	182,003
Fund balances end of year	\$ 34,763	28,573	136,980	(241)	200,075

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, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 282	48	-	-	330
Variety Show	2,837	1,889	1,370	-	3,356
Adopt-a-book	447	121	-	-	568
Band Trip	9,824	19,640	12,747	-	16,717
Australia Trip	-	-	1,105	1,105	-
Show Choir	992	3,393	3,576	-	809
Yearbook	7,046	8,698	5,665	-	10,079
Football Cheerleaders	63	3,298	2,530	-	831
Wrestling Cheerleaders	45	246	-	-	291
Drama	142	-	-	-	142
Spanish Club	1,208	-	-	(1,105)	103
FFA	24,619	50,182	42,830	-	31,971
FCCLA	402	575	114	-	863
Academic Dream	-	288	288	-	-
Student Council	1,261	3,605	4,082	-	784
Student Development	723	355	489	-	589
Elementary	10,457	32,899	32,048	(92)	11,216
Concessions	910	17,495	17,853	-	552
Class of 2014	10,863	10,271	21,134	-	-
Class of 2015	6,854	4,327	2,585	-	8,596
Class of 2016	4,409	2,460	200	-	6,669
Class of 2017	2,339	4,023	475	-	5,887
Class of 2018	818	2,315	-	-	3,133
Class of 2019	749	2,795	77	-	3,467
Class of 2020	57	156	307	94	-
Class of 2021	383	917	416	(383)	501
High School Activity	1,462	6,145	5,248	381	2,740
Speech Club	26	-	-	-	26
National Honor Society	195	1,391	907	-	679
Boys Track	73	-	-	-	73
Athletics	11,716	37,066	36,544	-	12,238
Junior High Volleyball	43	1,009	963	-	89
Boys Basketball	1,729	2,723	3,381	-	1,071
High School Football	3,390	6,040	5,181	-	4,249
Baseball	385	4,580	2,935	-	2,030
Wrestling	1,224	4,749	4,003	-	1,970
Girls Basketball	979	351	559	-	771
Volleyball	2,625	1,504	1,255	-	2,874
Softball	404	1,104	1,011	-	497
Cross Country	-	96	95	-	1
Girls Track	102	1,233	1,331	-	4
Golf	43	291	120	-	214
Total	\$ 112,126	238,278	213,424	-	136,980

See accompanying independent auditor's report.

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction Project	Total
Assets				
Cash and cash equivalents	\$ 194,568	3,600	2,455,340	2,653,508
Receivables:				
Property tax:				
Delinquent	-	596	-	596
Succeeding year	-	30,073	-	30,073
Due from other governments	100,742	-	-	100,742
Total assets	\$ 295,310	34,269	2,455,340	2,784,919
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,851	1,571	-	7,422
Contracts payable	-	-	305,312	305,312
Total liabilities	5,851	1,571	305,312	312,734
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	30,073	-	30,073
Total deferred inflows of resources	-	30,073	-	30,073
Fund balances:				
Restricted for:				
School infrastructure	289,459	-	2,150,028	2,439,487
Physical plant and equipment	-	2,625	-	2,625
Total fund balances	289,459	2,625	2,150,028	2,442,112
Total liabilities, deferred inflows of resources and fund balances	\$ 295,310	34,269	2,455,340	2,784,919

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Building Construction Project	
Revenues:				
Local sources:				
Local tax	\$ -	29,477	-	29,477
Other	-	2	-	2
State sources	299,267	100	-	299,367
Total revenues	<u>299,267</u>	<u>29,579</u>	<u>-</u>	<u>328,846</u>
Expenditures:				
Support services:				
Instructional staff	16,618	-	-	16,618
Operation and maintenance of plant	36,927	13,304	-	50,231
Other expenditures:				
Facilities acquisition	155,093	25,233	280,587	460,913
Long-term debt				
Bond issuance costs	-	-	78,135	78,135
Total expenditures	<u>208,638</u>	<u>38,537</u>	<u>358,722</u>	<u>605,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,629</u>	<u>(8,958)</u>	<u>(358,722)</u>	<u>(277,051)</u>
Other financing sources (uses):				
Issuance of general obligation bonds	-	-	2,500,000	2,500,000
Premium on general obligation bonds	-	-	44,181	44,181
Operating transfers out	(23,174)	-	-	(23,174)
Total other financing sources (uses)	<u>(23,174)</u>	<u>-</u>	<u>2,544,181</u>	<u>2,521,007</u>
Change in fund balances	67,455	(8,958)	2,185,459	2,243,956
Fund balances beginning of year	222,004	11,583	(35,431)	198,156
Fund balances end of year	<u>\$ 289,459</u>	<u>2,625</u>	<u>2,150,028</u>	<u>2,442,112</u>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 6

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

Year ended June 30, 2014

	Student Construction	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ -	80,695	80,695
Total operating revenues	-	80,695	80,695
Operating expenses:			
Non-instructional programs:			
Salaries	-	85,933	85,933
Benefits	-	28,132	28,132
Purchased services	-	2,696	2,696
Supplies	-	128,978	128,978
Depreciation	-	2,992	2,992
Total operating expenses	-	248,731	248,731
Operating (loss)	-	(168,036)	(168,036)
Non-operating revenues:			
State sources	-	2,015	2,015
Federal sources	-	152,221	152,221
Interest income	-	18	18
Net non-operating revenues	-	154,254	154,254
Excess (deficiency) of revenues over (under) expenses	-	(13,782)	(13,782)
Other financing sources (uses):			
Operating transfers in	31,186	-	31,186
Total other financing sources (uses)	31,186	-	31,186
Increase (Decrease) in net position	31,186	(13,782)	17,404
Net position beginning of year	(31,186)	55,438	24,252
Net position end of year	\$ -	41,656	41,656

See accompanying independent auditor's report.

Moravia Community School District

Schedule 7

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	Student Construction	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	83,008	83,008
Cash payments to employees for services	-	(120,992)	(120,992)
Cash payments to suppliers for goods and services	-	(126,521)	(126,521)
Net cash (used) by operating activities	-	(164,505)	(164,505)
Cash flows from non-capital financing activities:			
State grants received	-	2,015	2,015
Federal grants received	-	147,775	147,775
Operating transfers in	31,186	-	31,186
Net cash provided by non-capital financing activities	31,186	149,790	180,976
Cash flows from capital and related financing activities:			
Interfund loan decrease	(31,186)	-	(31,186)
Net cash (used) by capital and related financing activities	(31,186)	-	(31,186)
Cash flows from investing activities:			
Interest on investments	-	18	18
Net (decrease) in cash and cash equivalents	-	(14,697)	(14,697)
Cash and cash equivalents at beginning of year	-	41,808	41,808
Cash and cash equivalents at end of year	\$ -	27,111	27,111
Reconciliation of operating (loss) to net cash (used) by operating activities:			
Operating (loss)	\$ -	(168,036)	(168,036)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Commodities used	-	5,775	5,775
Depreciation	-	2,992	2,992
Decrease in accounts receivable	-	24	24
(Increase) in inventories	-	(506)	(506)
(Decrease) in accounts payable	-	(116)	(116)
(Decrease) in salaries and benefits payable	-	(8,147)	(8,147)
Increase in unearned revenue	-	2,289	2,289
Increase in net OPEB liability	-	1,220	1,220
Net cash (used) by operating activities	\$ -	(164,505)	(164,505)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$5,775 of federal commodities.

See accompanying independent auditor's report.

Moravia Community School District

Schedule 8

Combining Schedule of Net Position
Internal Service Funds

June 30, 2014

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,221	83,116	88,337
Total assets	<u>5,221</u>	<u>83,116</u>	<u>88,337</u>
Liabilities			
Current liabilities:			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Unrestricted	5,221	83,116	88,337
Total net position	<u>\$ 5,221</u>	<u>83,116</u>	<u>88,337</u>

See accompanying independent auditor's report.

Moravia Community School District

Schedule 9

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

Year ended June 30, 2014

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Operating revenues:			
Charges to operating funds	\$ -	425,705	425,705
Charges to employees and others	11,460	72,159	83,619
Total operating revenues	11,460	497,864	509,324
Operating expenses:			
Non-instructional programs:			
Insurance premiums	-	443,264	443,264
Medical claims	-	20,244	20,244
Flexible spending claims	8,782	-	8,782
Administrative fees	-	6,242	6,242
Total operating expenses	8,782	469,750	478,532
Operating income	2,678	28,114	30,792
Non-operating revenues:			
Interest income	-	157	157
Net non-operating revenues	-	157	157
Increase in net position	2,678	28,271	30,949
Net position beginning of year	2,543	54,845	57,388
Net position ending of year	\$ 5,221	83,116	88,337

See accompanying independent auditor's report.

Moravia Community School District

Schedule I O

Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2014

	Internal Service Funds		
	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	425,705	425,705
Cash received from employees and others	11,460	72,159	83,619
Cash payments to suppliers for services	(8,782)	(469,750)	(478,532)
Net cash provided by operating activities	<u>2,678</u>	<u>28,114</u>	<u>30,792</u>
Cash flows from investing activities:			
Interest on investments	-	157	157
Net increase in cash and cash equivalents	<u>2,678</u>	<u>28,271</u>	<u>30,949</u>
Cash and cash equivalents at beginning of year	<u>2,543</u>	<u>54,845</u>	<u>57,388</u>
Cash and cash equivalents at end of year	<u>\$ 5,221</u>	<u>83,116</u>	<u>88,337</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,678	28,114	30,792
Adjustments to reconcile operating income to net cash provided by operating activities			
None	-	-	-
Net cash provided by operating activities	<u>\$ 2,678</u>	<u>28,114</u>	<u>30,792</u>

See accompanying independent auditor's report.

Moravia Community School District

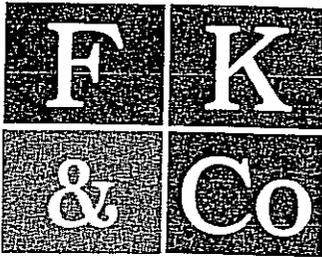
Schedule 11

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

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$1,483,286	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
Tuition	575,585	439,156	459,136	398,636	362,679	301,352	222,893	289,844	250,341	268,743
Other	271,349	258,316	258,627	233,000	242,574	205,313	204,157	230,243	211,508	324,919
Intermediate sources	-	-	-	-	-	-	-	-	-	61,103
State sources	2,358,430	2,087,482	2,112,133	1,922,751	1,579,743	1,878,423	1,664,519	1,586,760	1,552,826	1,438,737
Federal sources	224,276	330,550	247,726	329,958	441,479	252,528	172,633	248,164	320,572	154,496
Total	\$4,912,926	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
Expenditures:										
Instruction:										
Regular	\$1,889,340	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
Special	379,630	375,493	358,831	378,541	541,244	530,048	331,114	398,202	313,993	401,792
Other	733,555	676,257	608,117	553,178	531,272	589,668	566,413	489,379	510,474	347,552
Support services:										
Student	81,096	102,875	101,275	97,084	74,262	13,846	90,307	85,143	81,765	80,185
Instructional staff	143,948	159,860	188,503	103,743	93,135	85,674	29,639	58,090	75,068	40,678
Administration	499,630	464,596	431,985	417,788	410,919	416,614	436,077	459,719	441,552	430,681
Operation and maintenance of plant	333,276	344,838	355,551	246,005	207,547	224,937	247,452	221,922	196,670	217,373
Transportation	323,060	306,474	227,177	246,979	248,293	186,508	194,660	137,340	191,623	142,213
Non-instructional programs	853	795	515	617	682	475	482	457	618	495
Other expenditures:										
Facilities acquisition	460,913	47,468	100,448	103,220	81,683	102,337	230,147	58,392	267,315	53,081
Long-term debt:										
Principal	95,000	55,000	90,000	90,000	85,000	85,000	85,000	80,000	75,000	79,676
Interest and other charges	145,942	2,644	5,975	9,030	11,784	14,378	16,935	18,634	20,435	22,830
AEA flowthrough	134,168	131,236	126,933	132,313	122,476	111,392	103,255	96,106	91,933	87,761
Total	\$5,220,411	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

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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated

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, 2014 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

February 19, 2015
Des Moines, Iowa

Moravia Community School District

Schedule of Findings

Year ended June 30, 2014

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, 2014.

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, 2014

- (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, liabilities, 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, 2014

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, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the support services program function.

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:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$ 480
Steve Smith, Board Member	Coaching	4,076
John Baty, Board Member Owner of Baty Electric	Repair/Maintenance	6,080

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.

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.

Response – We will discuss this with our School Attorney.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2014

- (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 - No transactions were found that should have been approved in the Board minutes but were not.
- (7) Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting - Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

The District claimed .79 supplementary weighting for a shared teacher. However, upon inquiry, it was determined that the District did not share this teacher with another District in the fiscal year. As a result, the District should not have received .79 in supplementary weighting for this teacher.

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 - The District's cash in bank amount exceeded the depository resolution amount at times during the fiscal year and at June 30, 2014.

Other than the above, 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.

Recommendation - The City should implement procedures to ensure compliance with the Code of Iowa in relation to the City's depository resolution.

Response - We exceeded the depository resolution due to the bond money we received. We will implement this recommendation to ensure compliance in the future.

Conclusion - Response accepted.

- (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.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2014

- (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.

For full-time employees who work part-time on categorical funded projects, no time records are kept which documents the amount of time spent on categorical funded projects.

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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 222,004	
Revenues/transfers in:			
Sales tax revenues			<u>299,267</u>
			521,271
Expenditures:			
Equipment	\$ 53,545		
School infrastructure construction	155,093		
Transfers to the General Fund	<u>23,174</u>		<u>231,812</u>
Ending balance			<u>\$ 289,459</u>

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

- (13) Financial Condition – The Debt Service Fund had a deficit unassigned fund balance of \$241 as June 30, 2014.

Recommendation – The District should continue to monitor the deficit in the Debt Service Fund and investigate alternatives to eliminate this deficit.

Response – This fund will be positive in the future thorough the collection of subsequent year property taxes.

Conclusion – Response acknowledged.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2014

- (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 – Once the transfer was made from the General Fund to the Enterprise, Student Construction Fund, the District is now in compliance with this requirement.

Conclusion – Response acknowledged.

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

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.

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

Conclusion – Response acknowledged.

- (16) Student Activity Fund – An instance was noted where the District gave a significant amount of cash to students. In this instance, 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.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2014

- 17) Checks – The Board President does not sign some of the District checks, as required by Chapter 291.1 of the Code of Iowa

Recommendation – The Board President should sign all District checks, as required by the Code of Iowa.

Response – For one account, this was an oversight on our part. We will implement this recommendation.

Conclusion – Response acknowledged.

- 18) Construction Project – The District hired a contractor to complete a new building project for an approximate cost of \$35,000. No documentation could be located that the contractor provided a surety bond, as required by Chapter 573.2 of the Code of Iowa.

Recommendation – The District should implement procedures to ensure surety bonds are obtained from applicable contractors, as required by the Code of Iowa.

Response – We will implement this in the future.

Conclusion – Response acknowledged.