

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Moulton-Udell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Marlan Korthaus	President	2008
Travis Harris	Vice-President	2008
Randy Welch	Board Member	2009
Jerilyn Inman	Board Member	2009
Justin McCoy	Board Member	2010

Board of Education (After September 2008 Election)		
Travis Harris	President	2011
Justin McCoy	Vice-President	2011 *
Randy Welch	Board Member	2009
Jerilyn Inman	Board Member	2009
Rex Harris	Board Member	2011

School Officials		
Rich Turner	Superintendent	2009
Marvin Judkins	Business Manager	2009
Lisa Swarts	Board Secretary	2009
Marilyn Wood	District Treasurer	2009
Richard Gaumer	Attorney	2009

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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Moulton-Udell Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2010 on our consideration of Moulton-Udell Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moulton-Udell Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ending June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,336,274 in fiscal 2008 to \$2,404,979 in fiscal 2009, General Fund expenditures increased from \$2,299,708 in fiscal 2008 to \$2,390,398 in fiscal 2009. This resulted in the District's General Fund balance to increase from \$383,393 in fiscal 2008 to \$397,974 in fiscal 2009, a 3.80% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in federal sources in fiscal 2009. The increase in expenditures was due primarily to an increase in regular instruction and special instruction.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Moulton-Udell Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Moulton-Udell Community School District acts solely as an agent or custodial for the benefit of those outside of District government.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

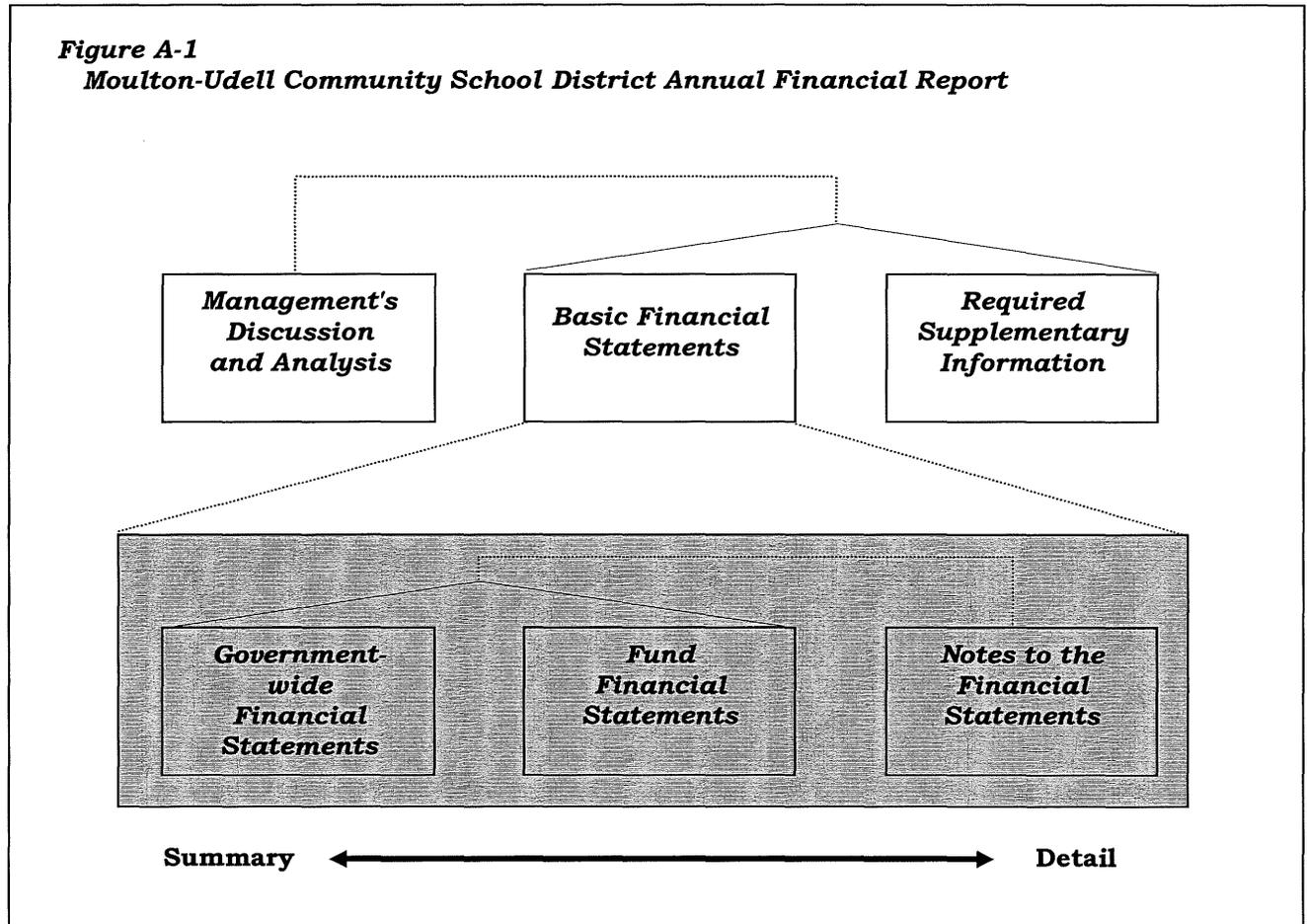


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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	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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

measure the District's financial health or 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 is 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 three 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 and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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 one enterprise fund, the School Nutrition Fund.

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

- 2) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total Change June 30, 2008-09
	Activities		Activities		School District		
	June 30, 2009	2008	June 30, 2009	2008	June 30, 2009	2008	
Current and other assets	\$ 2,300,447	2,072,806	1,274	6,913	2,301,721	2,079,719	10.67%
Capital assets	762,925	787,750	15,978	18,831	778,903	806,581	-3.43%
Total assets	3,063,372	2,860,556	17,252	25,744	3,080,624	2,886,300	6.73%
Long-term obligations	0	2,416	0	0	0	2,416	-100.00%
Other liabilities	1,439,450	1,196,556	5,741	13,200	1,445,191	1,209,756	19.46%
Total liabilities	1,439,450	1,198,972	5,741	13,200	1,445,191	1,212,172	19.22%
Net assets:							
Invested in capital assets	762,925	787,750	15,978	18,831	778,903	806,581	-3.43%
Restricted	428,957	439,530	0	0	428,957	439,530	-2.41%
Unrestricted	432,040	434,304	(4,467)	(6,287)	427,573	428,017	-0.10%
Total net assets	\$ 1,623,922	1,661,584	11,511	12,544	1,635,433	1,674,128	-2.31%

The District's combined net assets decreased by 2.31% or \$38,695, from the prior year. The largest portion of the District's net assets is the invested in capital assets.

Restricted net assets represent the resources that are subject to external restrictions, constitutional provisions or enabling 10,573, or 2.41% from the prior year.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$444, or less than 1%.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 235,826	330,666	42,127	36,642	277,953	367,308	-24.33%
Operating grants and contributions and restricted interest	412,167	354,326	58,311	47,861	470,478	402,187	16.98%
Capital grants and contributions and restricted interest	0	4,805	0	0	0	4,805	-100.00%
General revenues:							
Property tax	891,639	836,522	0	0	891,639	836,522	6.59%
Statewide sales and services tax	146,291	132,309	0	0	146,291	132,309	10.57%
Unrestricted state grants	1,023,734	1,012,229	0	0	1,023,734	1,012,229	1.14%
Other	85,648	30,475	33	53	85,681	30,528	180.66%
Transfers	(6,346)	0	0	0	(6,346)	0	-100.00%
Total revenues and transfers	2,788,959	2,701,332	100,471	84,556	2,889,430	2,785,888	3.72%
Program expenses:							
Governmental activities:							
Instructional	1,654,143	1,592,044	0	0	1,654,143	1,592,044	3.90%
Support services	831,179	725,991	704	1,057	831,883	727,048	14.42%
Non-instructional programs	0	0	100,800	92,653	100,800	92,653	8.79%
Other expenses	341,299	212,773	0	0	341,299	212,773	60.41%
Total expenses	2,826,621	2,530,808	101,504	93,710	2,928,125	2,624,518	11.57%
Changes in net assets	(37,662)	170,524	(1,033)	(9,154)	(38,695)	161,370	-123.98%
Beginning net assets	1,661,584	1,491,060	12,544	21,698	1,674,128	1,512,758	10.67%
Ending net assets	\$ 1,623,922	1,661,584	11,511	12,544	1,635,433	1,674,128	-2.31%

In fiscal 2009, local tax and unrestricted state grants account for 73.92% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.97% of the revenue from business type activities.

The District's total revenues were \$2,889,430 of which \$2,788,959 was for governmental activities and \$100,471 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.72% increase in revenues and an 11.57% increase in expenses.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 1,654,143	1,592,044	3.90%	1,088,640	987,566	10.23%
Support services	831,179	725,991	14.49%	830,768	725,673	14.48%
Other expenses	341,299	212,773	60.41%	259,220	127,772	102.88%
Totals	<u>\$ 2,826,621</u>	<u>2,530,808</u>	<u>11.69%</u>	<u>2,178,628</u>	<u>1,841,011</u>	<u>18.34%</u>

- The cost financed by users of the District's programs was \$235,826.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$412,167.
- The net cost of governmental activities was financed with \$891,639 in property tax, \$146,291 in statewide sales and services tax, \$1,023,734 in unrestricted state grants, \$19,662 in interest revenue and \$65,986 in miscellaneous income.

Business Type Activities

Revenues of the District's business type activities were \$100,471 and expenses were \$101,504. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Moulton-Udell 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 combined fund balances of \$793,599, below last year's ending fund balances of \$819,509. The primary reason for the slight decrease in combined fund balances in fiscal 2009 is due to a slight increase in total revenues and a major increase in total expenditures over the prior year.

Governmental Fund Highlights

- The District's General Fund increased \$14,581. Overall total expenditures increased by \$90,690 or 3.94% and total revenues increased \$68,705 or 2.94%. The major reason for the increase in expenditures was due to an increase in wages and benefits in the instructional functional area.
- The Capital Projects Fund balance decreased from \$250,246 in fiscal 2008 to \$170,563 in fiscal 2009. Revenues increased 18.67% or \$26,389 over the prior year. Expenditures increased \$143,818 or 138.86% over the prior year. The Capital Projects Fund balance decreased due to the cost associated with the purchase of land and the roof replacements on the old and new gym at the high school.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$73,949 in fiscal 2008 to \$99,746 in fiscal 2009. The revenues decreased by \$5,011 or 9.21%. Expenditures increased by \$13,864 or 142.02%. This increase in expenditures was due to the costs associated with the roof and siding replacements.

- The Management Levy Fund balance increased from \$49,057 in fiscal 2008 to \$78,563 in fiscal 2009. The District is attempting to build a reserve to meet the property tax insurance costs since those payments are due in full at the beginning of the fiscal year.

Proprietary Fund Highlights

The Proprietary Funds net assets decreased from \$12,544 at June 30, 2008 to \$11,511 at June 30, 2009, representing a decrease of 7.99%. For fiscal 2009, the District received increased monies from charges for services and federal revenue sources.

BUDGETARY HIGHLIGHTS

Over the course of the year, Moulton-Udell Community School District amended its annual budget one time to reflect additional expenditures associated with the support services and other expenditures areas.

The District's revenues were \$26,022 less than budgeted revenues. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$778,903, 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 amount represents a net decrease of 3.43% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$57,677.

The original cost of the District's capital assets was \$2,216,978. Governmental funds account for \$2,150,299 with the remainder of \$66,679 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$32,000 at June 30, 2009, compared to \$2,000 reported at June 30, 2008. This increase resulted primarily from the purchase of land for a future project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 32,000	2,000	0	0	32,000	2,000	1500.00%
Buildings	610,959	640,387	0	0	610,959	640,387	-4.60%
Land improvements	20,845	22,142	0	0	20,845	22,142	-5.86%
Machinery and equipment	99,121	123,221	15,978	18,831	115,099	142,052	-18.97%
Total	\$ 762,925	787,750	15,978	18,831	778,903	806,581	-3.43%

Long-Term Debt

At June 30, 2009, the District had no long term debt. The District paid out the remaining early retirement benefits. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2009	2008	June 30, 2008-09
Early retirement	\$ 0	2,416	-100.00%

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 has experienced declining enrollment for past five years, the District expects this trend to continue the next few years.
- Two major employers in neighboring Centerville have closed and laid-off hundreds of employees. This has impacted Moulton-Udell. Recently, employment opportunities appear to be improving in Centerville.

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 Lisa Swarts, Board Secretary, Moulton-Udell Community School District, 305 East 8th, Moulton, Iowa, 52572.

BASIC FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 360,136	0	360,136
Other	833,799	9,177	842,976
Receivables:			
Property tax:			
Delinquent	22,464	0	22,464
Succeeding year	847,741	0	847,741
Income surtax	67,398	0	67,398
Interfund	13,200	(13,200)	0
Accounts	1,530	1,656	3,186
Accrued interest - ISCAP	1,528	0	1,528
Due from other governments	142,264	0	142,264
Prepaid items	10,387	0	10,387
Inventories	0	3,641	3,641
Capital assets, net of accumulated depreciation	762,925	15,978	778,903
Total Assets	3,063,372	17,252	3,080,624
Liabilities			
Accounts payable	8,512	0	8,512
Salaries and benefits payable	215,722	5,741	221,463
ISCAP warrants payable	355,000	0	355,000
ISCAP accrued interest payable	2,184	0	2,184
ISCAP unamortized premium	5,512	0	5,512
Deferred revenue:			
Succeeding year property tax	847,741	0	847,741
Other	4,779	0	4,779
Total Liabilities	1,439,450	5,741	1,445,191
Net Assets			
Invested in capital assets	762,925	15,978	778,903
Restricted for:			
Categorical funding	33,332	0	33,332
Capital projects	170,563	0	170,563
Management levy	78,563	0	78,563
Physical plant and equipment levy	99,746	0	99,746
Other special revenue purposes	46,753	0	46,753
Unrestricted	432,040	(4,467)	427,573
Total Net Assets	\$ 1,623,922	11,511	1,635,433

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,016,202	99,697	310,829	(605,676)	0	(605,676)
Special	286,102	42,976	18,610	(224,516)	0	(224,516)
Other	351,839	92,742	649	(258,448)	0	(258,448)
	<u>1,654,143</u>	<u>235,415</u>	<u>330,088</u>	<u>(1,088,640)</u>	<u>0</u>	<u>(1,088,640)</u>
Support services:						
Student	42,009	0	0	(42,009)	0	(42,009)
Instructional staff	94,252	0	0	(94,252)	0	(94,252)
Administration	341,235	0	0	(341,235)	0	(341,235)
Operation and maintenance of plant	225,266	0	0	(225,266)	0	(225,266)
Transportation	128,417	411	0	(128,006)	0	(128,006)
	<u>831,179</u>	<u>411</u>	<u>0</u>	<u>(830,768)</u>	<u>0</u>	<u>(830,768)</u>
Other expenditures:						
Facilities and acquisitions	243,195	0	0	(243,195)	0	(243,195)
AEA flowthrough	82,079	0	82,079	0	0	0
Depreciation(unallocated)*	16,025	0	0	(16,025)	0	(16,025)
	<u>341,299</u>	<u>0</u>	<u>82,079</u>	<u>(259,220)</u>	<u>0</u>	<u>(259,220)</u>
Total governmental activities	2,826,621	235,826	412,167	(2,178,628)	0	(2,178,628)
Business Type activities:						
Support services:						
Operation and maintenance of plant services	704	0	0	0	(704)	(704)
Non-instructional programs:						
Nutrition services	100,800	42,127	58,311	0	(362)	(362)
Total business type activities	101,504	42,127	58,311	0	(1,066)	(1,066)
Total	\$ 2,928,125	277,953	470,478	(2,178,628)	(1,066)	(2,179,694)
General Revenues and Transfers:						
General Revenues:						
Local tax for:						
General purposes				\$ 843,581	0	843,581
Capital outlay				48,058	0	48,058
Statewide sales and services tax				146,291	0	146,291
Unrestricted state grants				1,023,734	0	1,023,734
Unrestricted investment earnings				19,662	33	19,695
Other revenue				65,986	0	65,986
Transfers				(6,346)	0	(6,346)
Total general revenues and transfers				<u>2,140,966</u>	<u>33</u>	<u>2,140,999</u>
Changes in net assets				(37,662)	(1,033)	(38,695)
Net assets beginning of year				1,661,584	12,544	1,674,128
Net assets end of year				<u>\$ 1,623,922</u>	<u>11,511</u>	<u>1,635,433</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 360,136	0	360,136
Other	468,499	365,300	833,799
Receivables:			
Property tax:			
Delinquent	19,351	3,113	22,464
Succeeding year	746,432	101,309	847,741
Income surtax	67,398	0	67,398
Interfund	15,396	1,098	16,494
Accounts	1,530	0	1,530
Accrued interest - ISCAP	1,528	0	1,528
Due from other governments	112,766	29,498	142,264
Prepaid items	10,387	0	10,387
Total Assets	\$ 1,803,423	500,318	2,303,741
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 0	3,294	3,294
Accounts payable	8,422	90	8,512
Salaries and benefits payable	215,722	0	215,722
ISCAP warrants payable	355,000	0	355,000
ISCAP accrued interest payable	2,184	0	2,184
ISCAP unamortized premium	5,512	0	5,512
Deferred revenue:			
Succeeding year property tax	746,432	101,309	847,741
Income surtax	67,398	0	67,398
Other	4,779	0	4,779
Total liabilities	1,405,449	104,693	1,510,142
Fund balances:			
Reserved for:			
Categorical funding	33,332	0	33,332
Unreserved	364,642	395,625	760,267
Total fund balances	397,974	395,625	793,599
Total Liabilities and Fund Balances	\$ 1,803,423	500,318	2,303,741

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	793,599
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		762,925
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		<u>67,398</u>
Net assets of governmental activities (page 13)	\$	<u><u>1,623,922</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Other Nonmajor Governmental		Total
	General	Funds	
REVENUES:			
Local sources:			
Local tax	\$ 770,811	256,462	1,027,273
Tuition	142,673	0	142,673
Other	57,977	123,103	181,080
State	1,302,236	104	1,302,340
Federal	131,282	0	131,282
Total revenues	<u>2,404,979</u>	<u>379,669</u>	<u>2,784,648</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	1,014,902	1,300	1,016,202
Special	286,102	0	286,102
Other	247,950	103,889	351,839
	<u>1,548,954</u>	<u>105,189</u>	<u>1,654,143</u>
Support services:			
Student	42,009	0	42,009
Instructional staff	81,433	12,819	94,252
Administration	312,650	31,001	343,651
Operation and maintenance of plant	212,887	6,610	219,497
Transportation	110,386	0	110,386
	<u>759,365</u>	<u>50,430</u>	<u>809,795</u>
Other expenditures:			
Facilities acquisitions	0	258,195	258,195
AEA flowthrough	82,079	0	82,079
	<u>82,079</u>	<u>258,195</u>	<u>340,274</u>
Total expenditures	<u>2,390,398</u>	<u>413,814</u>	<u>2,804,212</u>
Excess(deficiency) of revenues over(under) expenditures	14,581	(34,145)	(19,564)
Other financing uses:			
Transfers out	0	(6,346)	(6,346)
Net change in fund balances	14,581	(40,491)	(25,910)
Fund balances beginning of year	383,393	436,116	819,509
Fund balances end of year	<u>\$ 397,974</u>	<u>395,625</u>	<u>793,599</u>

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (25,910)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 15,000	
Depreciation expense	<u>(39,825)</u>	<u>(24,825)</u>

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 10,657

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

Early retirement		<u>2,416</u>
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Changes in net assets of governmental activities (page 14) \$ (37,662)

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 9,177
Accounts receivable	1,656
Inventories	3,641
Capital assets, net of accumulated depreciation	<u>15,978</u>
Total Assets	<u>30,452</u>
Liabilities	
Interfund payable	13,200
Salaries and benefits payable	<u>5,741</u>
Total Liabilities	<u>18,941</u>
Net Assets	
Invested in capital assets	15,978
Unrestricted	<u>(4,467)</u>
Total Net Assets	<u>\$ 11,511</u>

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 41,695
Miscellaneous revenue	432
TOTAL OPERATING REVENUES	42,127
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant:	
Services	704
Non-instructional programs:	
Salaries	34,929
Benefits	4,714
Services	1,059
Supplies	57,245
Depreciation	2,853
Total non-instructional programs	100,800
TOTAL OPERATING EXPENSES	101,504
OPERATING LOSS	(59,377)
NON-OPERATING REVENUES:	
State sources	1,258
Federal sources	57,053
Interest on investments	33
TOTAL NON-OPERATING REVENUES	58,344
Change in net assets	(1,033)
Net assets beginning of year	12,544
Net assets end of year	\$ 11,511

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 41,123
Cash received from miscellaneous	432
Cash payments to employees for services	(33,902)
Cash payments to suppliers for goods or services	(50,903)
Net cash used in operating activities	(43,250)
Cash flows from non-capital financing activities:	
State grants received	1,258
Federal grants received	50,395
Net cash provided by non-capital financing activities	51,653
Cash flows from investing activities:	
Interest on investments	33
Net increase in cash and cash equivalents	8,436
Cash and cash equivalents at beginning of year	741
Cash and cash equivalents at end of year	\$ 9,177
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (59,377)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,658
Depreciation	2,853
Decrease in inventories	1,447
Increase in accounts receivable	(572)
Increase in salaries and benefits payable	5,741
Net cash used in operating activities	\$ (43,250)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 9,177
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$6,658.	

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 6,346
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 6,346</u>

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Other financing sources:	
Transfers in	\$ <u>6,346</u>
Change in net assets	6,346
Net assets beginning of year	<u>0</u>
Net assets end of year	<u>\$ 6,346</u>

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The Moulton-Udell Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Moulton and Udell, Iowa, and the predominate agricultural territory in Appanoose and Davis 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, Moulton-Udell Community School District has included all funds, organizations, Account groups, 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 Moulton-Udell Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 and Davis Counties Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are 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, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

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 receipts 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 expenses, 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.

The District's proprietary funds is the School Nutrition Fund. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the 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 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due From and Due to Other Funds - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009 balances of interfund accounts receivable or payable balance have been recorded.

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 rather than when purchased or received.

Prepaid Items - The District prepaid items for the General Fund. The District accounts for the prepaid items by using the purchases method. Items prepaid included insurance.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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	\$ 2,000
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for extra duties and curriculum work for the current school year, which is paid in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 12,139</u>

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nutrition Fund	\$ 13,200
Special Revenue: Physical Plant and Equipment Levy	Capital Projects	1,098
General Fund	Capital Projects	<u>2,196</u>
		<u>\$ 16,494</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Private Purpose: Trust Fund	Special Revenue: Support Trust Fund	<u>\$ 6,346</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is

the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 163,064	1,504	161,000	2,117
2009-10A	6/25/09	6/23/10	197,072	24	194,000	67
Total			\$ 360,136	1,528	355,000	2,184

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	
2008-09A	\$ 0	10,000	10,000	0	
2008-09B	0	10,000	10,000	0	
Total		\$ 0	20,000	20,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	30,000	0	32,000
Total capital assets not being depreciated	<u>2,000</u>	<u>30,000</u>	<u>0</u>	<u>32,000</u>
Capital assets being depreciated:				
Buildings	1,491,397	0	0	1,491,397
Land improvements	25,947	0	0	25,947
Machinery and equipment	615,955	0	15,000	600,955
Total capital assets being depreciated	<u>2,133,299</u>	<u>0</u>	<u>15,000</u>	<u>2,118,299</u>
Less accumulated depreciation for:				
Buildings	851,010	29,428	0	880,438
Land improvements	3,805	1,297	0	5,102
Machinery and equipment	492,734	24,100	15,000	501,834
Total accumulated depreciation	<u>1,347,549</u>	<u>54,825</u>	<u>15,000</u>	<u>1,387,374</u>
Total capital assets being depreciated, net	<u>785,750</u>	<u>(54,825)</u>	<u>0</u>	<u>730,925</u>
Governmental activities capital assets, net	<u>\$ 787,750</u>	<u>(24,825)</u>	<u>0</u>	<u>762,925</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 66,680	0	0	66,680
Less accumulated depreciation	47,849	2,853	0	50,702
Business type activities capital assets, net	<u>\$ 18,831</u>	<u>(2,853)</u>	<u>0</u>	<u>15,978</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Operation and maintenance of plant	\$ 5,769
Transportation	<u>18,031</u>
	23,800
Unallocated depreciation	<u>31,025</u>
Total governmental activities depreciation expense	<u>\$ 54,825</u>
Business type activities:	
Food services	<u>\$ 2,853</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 2,416	0	2,416	0	0

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of its annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$79,253, \$80,547, and \$75,654, respectively, equal to the required contributions for each year.

(9) Risk Management

Moulton-Udell Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: Medical, dental, vision and prescription drugs.

Each members' contributions to the ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2009 was \$185,368.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In

the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2009 no liability has been recorded in the District's financial statements. As of June 30, 2009 settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Moulton-Udell Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$82,079 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Unrestricted Net Assets

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$4,467 at June 30, 2009.

(12) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
Talented and gifted	\$ 73
Dropout and dropout prevention	16,759
Beginning teacher mentoring and induction program	605
Salary improvement program	4,207
Professional development for model core curriculum	3,869
Professional development	5,829
Market factor incentives	1,990
Total	<u>\$ 33,332</u>

(13) Other Postemployment Benefits (OPEB)

GASB Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of other postemployment benefits expenses and related liabilities or assets note disclosures, and if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement Number 45 for the year ending June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,351,026	42,160	1,393,186	1,437,313	1,437,313	(44,127)
State sources	1,302,340	1,258	1,303,598	1,327,838	1,327,838	(24,240)
Federal sources	131,282	57,053	188,335	146,000	146,000	42,335
Total revenues	2,784,648	100,471	2,885,119	2,911,151	2,911,151	(26,032)
Expenditures/expense:						
Instruction	1,654,143	0	1,654,143	1,766,500	1,766,500	112,357
Support services	809,795	704	810,499	823,000	855,000	44,501
Non-instructional programs	0	100,800	100,800	105,500	105,500	4,700
Other expenditures	340,274	0	340,274	258,501	595,000	254,726
Total expenditures/expenses	2,804,212	101,504	2,905,716	2,953,501	3,322,000	416,284
Excess(deficiency) of revenues over(under) expenditures/expenses	(19,564)	(1,033)	(20,597)	(42,350)	(410,849)	390,252
Other financing sources, net	(6,346)	0	(6,346)	13,500	13,500	(19,846)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(25,910)	(1,033)	(26,943)	(28,850)	(397,349)	370,406
Balances beginning of year	819,509	12,544	832,053	658,687	658,687	173,366
Balances end of year	\$ 793,599	11,511	805,110	629,837	261,338	543,772

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted support services and other expenditures by \$368,499.

OTHER SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	
Assets						
Cash and pooled investments	\$ 76,808	46,843	97,290	220,941	144,359	365,300
Receivables:						
Property tax:						
Current year delinquent	1,755	0	1,358	3,113	0	3,113
Succeeding year	50,000	0	51,309	101,309	0	101,309
Interfund	0	0	1,098	1,098	0	1,098
Due from other governments	0	0	0	0	29,498	29,498
Total Assets	\$ 128,563	46,843	151,055	326,461	173,857	500,318
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	0	0	0	3,294	3,294
Accounts payable	0	90	0	90	0	90
Deferred revenue:						
Succeeding year property tax	50,000	0	51,309	101,309	0	101,309
Total liabilities	50,000	90	51,309	101,399	3,294	104,693
Fund balances:						
Unreserved fund balances	78,563	46,753	99,746	225,062	170,563	395,625
Total Liabilities and Fund Balances	\$ 128,563	46,843	151,055	326,461	173,857	500,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 62,113	0	48,057	0	110,170	146,291	256,461
Other	4,946	94,396	1,321	1,028	101,691	21,413	123,104
State	59	0	45	0	104	0	104
TOTAL REVENUES	67,118	94,396	49,423	1,028	211,965	167,704	379,669
EXPENDITURES:							
Current:							
Instruction:							
Regular	0	0	0	1,300	1,300	0	1,300
Other	0	103,889	0	0	103,889	0	103,889
Support services:							
Instructional staff	0	0	7,360	0	7,360	5,458	12,818
Operation and maintenance of plant	31,001	0	0	0	31,001	0	31,001
Student transportation	6,611	0	0	0	6,611	0	6,611
Other expenditures:							
Facilities acquisitions	0	0	16,266	0	16,266	241,929	258,195
TOTAL EXPENDITURES	37,612	103,889	23,626	1,300	166,427	247,387	413,814
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER)EXPENDITURES	29,506	(9,493)	25,797	(272)	45,538	(79,683)	(34,145)
OTHER FINANCING USES:							
Transfers out	0	0	0	(6,346)	(6,346)	0	(6,346)
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	29,506	(9,493)	25,797	(6,618)	39,192	(79,683)	(40,491)
FUND BALANCES BEGINNING OF YEAR	49,057	56,246	73,949	6,618	185,870	250,246	436,116
FUND BALANCES END OF YEAR	\$ 78,563	46,753	99,746	0	225,062	170,563	395,625

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,068	40	216	892
Speech	189	0	0	189
Musicals	1,202	570	1,028	744
Instrumental Music	128	1,469	1,590	7
Boys Athletics	1,865	5,696	7,292	269
Girls Athletics	200	8,593	8,793	0
Athletics	10,318	8,072	11,847	6,543
Annual	7,756	5,355	6,231	6,880
Art Club	416	0	0	416
Cheerleaders	957	482	857	582
Flag Corps	0	66	66	0
Honor Society	907	317	470	754
SADD	3,724	474	2,078	2,120
FFA	6,151	17,000	18,398	4,753
Spanish Club	63	0	11	52
Student Council	5,204	14,490	16,332	3,362
FFA-IDA Project	1,368	3,080	2,071	2,377
Interest	0	205	205	0
Class of 2007	51	0	51	0
Class of 2009	6,783	6,999	13,660	122
Class of 2010	2,529	19,732	11,237	11,024
Class of 2011	102	199	208	93
Class of 2012	149	73	0	222
Class of 2013	159	227	204	182
Class of 2014	5	50	0	55
Class of 2015	175	25	0	200
Class of 2017	99	161	172	88
Class of 2018	12	25	13	24
Class of 2019	0	200	199	1
Class of 2020	55	25	48	32
Class of 2021	0	621	584	37
Popcorn Machine	0	50	28	22
Elementary	3,883	100	0	3,983
High School	728	0	0	728
Total	\$ 56,246	94,396	103,889	46,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarship	Moulton Locker	Elsie Alberts	Total
ASSETS				
Cash and pooled investments	\$ 4,846	200	1,300	6,346
LIABILITIES				
	0	0	0	0
NET ASSETS				
Reserved for scholarships	\$ 4,846	200	1,300	6,346

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MONTEZUMA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarships	Moulton Locker	Elsie Alberts	Total
OTHER FINANCING SOURCES:				
Transfers in	\$ 4,846	200	1,300	6,346
Changes in net assets	4,846	200	1,300	6,346
Net assets beginning of year	0	0	0	0
Net assets end of year	\$ 4,846	200	1,300	6,346

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 1,027,273	968,831	933,417	927,334	825,227	749,900
Tuition	142,673	167,784	100,334	205,102	128,700	150,002
Other	181,080	193,357	206,601	152,809	143,741	158,109
State	1,302,340	1,266,651	1,145,392	1,144,790	1,267,292	1,179,818
Federal	131,282	104,709	134,232	138,450	134,128	155,327
Total	<u>\$ 2,784,648</u>	<u>2,701,332</u>	<u>2,519,976</u>	<u>2,568,485</u>	<u>2,499,088</u>	<u>2,393,156</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 1,016,202	956,850	943,688	939,823	889,344	1,018,301
Special	286,102	262,503	225,909	299,365	320,155	333,913
Other	351,839	375,673	387,990	278,273	340,440	285,497
Support services:						
Student	42,009	14,557	35,040	26,202	30,054	26,559
Instructional staff	94,252	87,198	54,901	93,343	50,997	8,888
Administration	343,651	296,551	327,621	309,408	286,564	302,959
Operation and maintenance of plant	219,497	214,306	225,573	221,438	171,432	211,273
Transportation	110,386	161,373	167,167	116,802	113,475	105,441
Non-instructional programs	0	0	0	0	260	225
Other expenditures:						
Facilities acquisitions	258,195	102,916	90,311	41,460	21,614	0
Long-term debt:						
Principal	0	0	12,792	12,792	24,740	46,175
Interest	0	0	399	384	1,486	2,120
AEA flow-through	82,079	80,196	77,328	76,283	77,230	77,390
Total	<u>\$ 2,804,212</u>	<u>2,552,123</u>	<u>2,548,719</u>	<u>2,415,573</u>	<u>2,327,791</u>	<u>2,418,741</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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 the
Moulton-Udell Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moulton-Udell Community School District of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Moulton-Udell Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Moulton-Udell Community School District's financial statements that is more than inconsequential will not be prevented or detected by Moulton-Udell Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Moulton-Udell Community School District and other parties to whom Moulton-Udell Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Moulton-Udell Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 8, 2010

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District continues to review and refine its internal control methods to minimize the risk with an extremely limited support staff.

Conclusion - Response accepted.

I-B-09 Cash Payments to Students - During our audit, it was noted that when students travel on trips that they receive money for meals. The District had documentation from the sponsor showing the distribution of the funds, however, the support documentation did not support the amount of the check.

Recommendation - When the District issues monies for student trips. The sponsor(s) of the trip should have a student signoff sheet for each student to sign when they receive the money and the amount they received. The sponsor(s) should also, have receipts to support expenditures that are involved with the trip. The District should review their procedures and policies in place and implement controls to ensure that the documentation is gathered and turned in to the proper authority to support the check issued for the trip.

Response - The District will re-emphasize the importance of following the recommendations with the Building Administrators and Sponsors supervising the trips.

Conclusion - Response accepted.

I-C-09 Activity Fund Invoices - During our audit we noted that there were activity expenditures being paid without the proper support documentation.

Recommendation - The District should present the bills for payment to the Board of Directors for proper approval in accordance with the District's policy of payment of goods. The District should also review their procedures that are in place to ensure that all bill are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring additional support documents other than the invoice.

Response - The District will implement the recommendations and emphasize the importance of providing support for all payments.

Conclusion - Response accepted.

I-D-09 Commodity Pricing - We noted that during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review their procedures in place for the calculation of the commodity inventory prices. The State of Iowa through the Department of Education provides a price guide commodity listing to aid in this calculation. The District needs to use the correct price values by using the Commodity including storage and transportation column for the correct inventory values at year end.

Response - The District will work with the new Food Service Director to see that the commodities are correctly inventoried and valued.

Conclusion - Response accepted.

I-E-09 Negative Lunch Accounts Balances - It was noted during our audit that the Enterprise, Nutrition Fund is carrying negative student school lunch account balances on the books.

Recommendation - The District should review their policies and procedures in regard to the negative student lunch account balances. The District should try various collection techniques to collect the balances from families before writing the balances off of the books. Another option for the District would be to give these families a free and reduced lunch application to see if they qualify.

Response - The District has attempted numerous methods of collecting negative nutrition account balances from individual families. We have also improved our recordkeeping processes by individual school to better monitor those balances.

Conclusion - Response accepted.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted 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.
- II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Financial Condition - The District had a deficit unrestricted net assets of \$4,467 in the Enterprise - School Nutrition fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - The District will monitor the fund balance of the nutrition fund and will increase meal prices and work on collecting unpaid lunch balances.

Conclusion - Response accepted.

- II-L-09 Statewide Sales and Service Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales and services tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year

ended June 30, 2009, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			<u>146,291</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	30,000	
Equipment		5,458	
Other improvements		<u>110,833</u>	<u>146,291</u>
Ending Balance		\$	<u><u>0</u></u>