

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Moulton-Udell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Travis Harris	President	2011
Wade Fowler	Vice-President	2013
Rex Harris	Board Member	2011
Larry Sheets	Board Member	2013
Justin McCoy	Board Member	2011
School Officials		
Rich Turner	Superintendent	2011
Marvin Judkins	Business Manager	2011
Lisa Swarts	Board Secretary	2011
Marilyn Wood	District Treasurer	2011
Richard Gaumer	Attorney	2011



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
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, Moulton Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 five years ended June 30, 2010 (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 8, 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, P.C.

March 16, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,339,418 in fiscal 2010 to \$2,548,575 in fiscal 2011, while General Fund expenditures decreased from \$2,490,645 in fiscal 2010 to \$2,487,302 in fiscal 2011. The District's General Fund balance increased from \$246,747 in fiscal 2010 to \$308,020 in fiscal 2011, a 24.83% increase.
- The increase in General Fund revenues was due to an increase in property taxes levied and an increase in state aid. The decrease in General Fund expenditures was the result of a decrease in support services expenditures.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General fund alone decreasing from \$6,513 in fiscal year 2010 to \$2,325 in fiscal year 2011, representing a 64.3% reduction.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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.

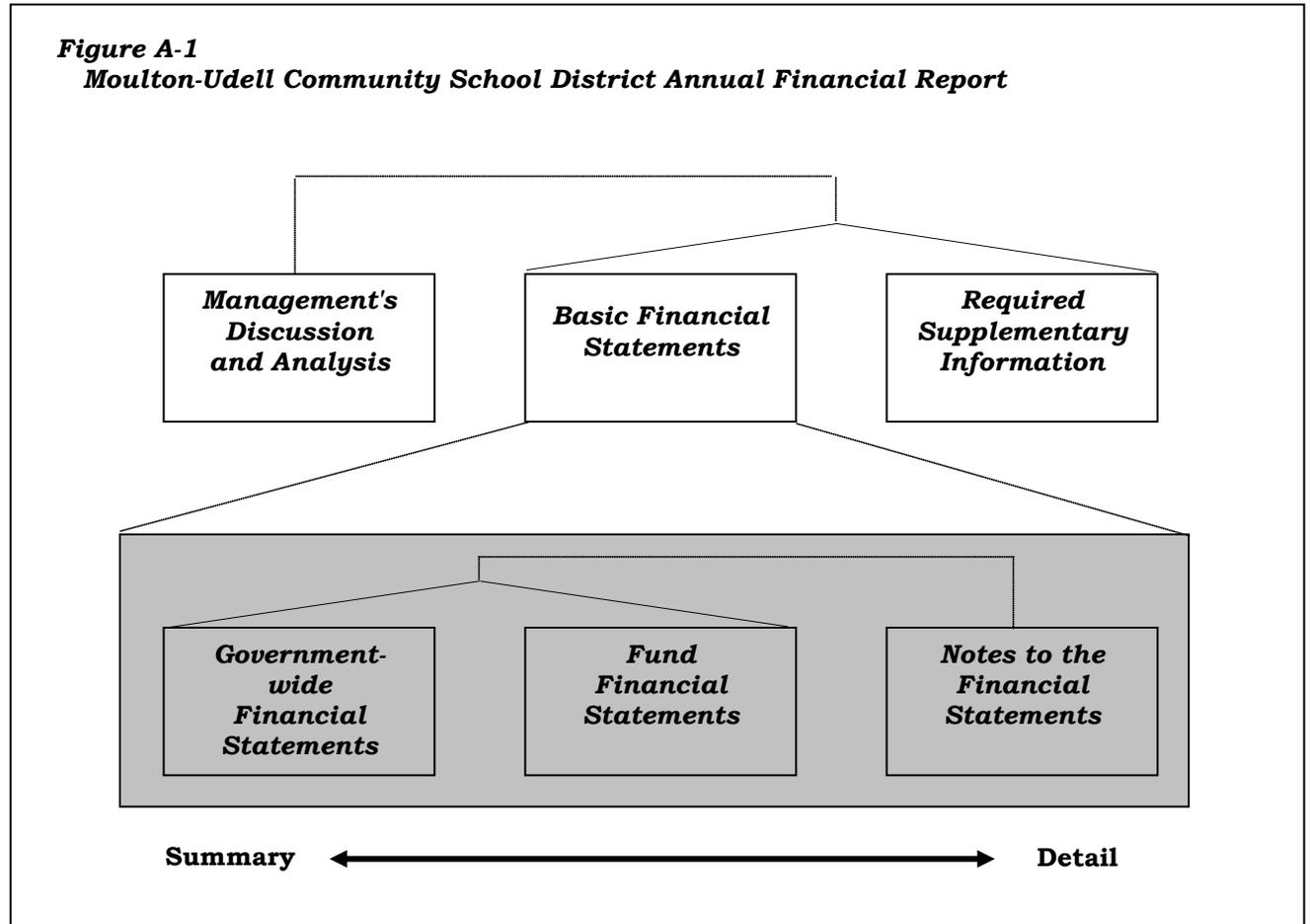


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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.

- 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 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.

- 3) *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, 2011 compared to June 30, 2010.

	Figure A-3							Total Change June 30, 2010-11
	Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District			
	June 30,		June 30,		June 30,			
2011	2010	2011	2010	2011	2010			
Current and other assets	\$ 1,775,202	1,888,163	11,337	12,255	1,786,539	1,900,418	-5.99%	
Capital assets	915,863	728,242	10,658	13,284	926,521	741,526	24.95%	
Total assets	<u>2,691,065</u>	<u>2,616,405</u>	<u>21,995</u>	<u>25,539</u>	<u>2,713,060</u>	<u>2,641,944</u>	<u>2.69%</u>	
Other liabilities	1,201,242	1,237,858	10,058	25,243	1,211,300	1,263,101	-4.10%	
Total liabilities	<u>1,201,242</u>	<u>1,237,858</u>	<u>10,058</u>	<u>25,243</u>	<u>1,211,300</u>	<u>1,263,101</u>	<u>-4.10%</u>	
Net assets:								
Invested in capital assets	915,863	728,242	10,658	13,284	926,521	741,526	24.95%	
Restricted	343,391	374,723	0	0	343,391	374,723	-8.36%	
Unrestricted	230,569	275,582	1,279	(12,988)	231,848	262,594	-11.71%	
Total net assets	<u>\$ 1,489,823</u>	<u>1,378,547</u>	<u>11,937</u>	<u>296</u>	<u>1,501,760</u>	<u>1,378,843</u>	<u>8.91%</u>	

The District's combined net assets increased by 8.91%, or \$122,917, 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 legislation on how they can be used. The District's restricted net assets decreased \$31,332, or 8.36% from the prior year. The was a result of a decrease in the Capital Projects fund balance during the 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 \$30,746, or 11.71%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 285,823	263,527	38,721	41,530	324,544	305,057	6.39%
Operating grants and contributions and restricted interest	311,098	561,066	51,535	53,457	362,633	614,523	-40.99%
Capital grants and contributions and restricted interest	12,100	0	0	0	12,100	0	100.00%
General revenues:							
Property tax	914,005	891,402	0	0	914,005	891,402	2.54%
Income surtax	39,283	0	0	0	39,283	0	100.00%
Statewide sales, services and use tax	144,171	134,138	0	0	144,171	134,138	7.48%
Unrestricted state grants	1,046,087	810,278	0	0	1,046,087	810,278	29.10%
Nonspecific program federal grants	67,079	0	0	0	67,079	0	100.00%
Other	46,920	14,842	748	627	47,668	15,469	208.15%
Transfers	(8,525)	0	8,525	0	0	0	0.00%
Total revenues and transfers	<u>2,858,041</u>	<u>2,675,253</u>	<u>99,529</u>	<u>95,614</u>	<u>2,957,570</u>	<u>2,770,867</u>	<u>6.74%</u>
Program expenses:							
Governmental activities:							
Instructional	1,783,841	1,714,307	0	0	1,783,841	1,714,307	4.06%
Support services	830,787	890,791	495	480	831,282	891,271	-6.73%
Non-instructional programs	0	0	87,393	106,349	87,393	106,349	-17.82%
Other expenses	132,137	315,530	0	0	132,137	315,530	-58.12%
Total expenses	<u>2,746,765</u>	<u>2,920,628</u>	<u>87,888</u>	<u>106,829</u>	<u>2,834,653</u>	<u>3,027,457</u>	<u>-6.37%</u>
Changes in net assets	111,276	(245,375)	11,641	(11,215)	122,917	(256,590)	-147.90%
Beginning net assets	<u>1,378,547</u>	<u>1,623,922</u>	<u>296</u>	<u>11,511</u>	<u>1,378,843</u>	<u>1,635,433</u>	<u>-15.69%</u>
Ending net assets	<u>\$ 1,489,823</u>	<u>1,378,547</u>	<u>11,937</u>	<u>296</u>	<u>1,501,760</u>	<u>1,378,843</u>	<u>8.91%</u>

In fiscal 2011, local tax and unrestricted state grants account for 73.63% of the revenue from governmental activities while charges for services and operating grants and contributions account for 90.68% of the revenue from business type activities.

The District's total revenues were approximately \$3.0 million, of which approximately \$2.9 million was for governmental activities and \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.74% increase in revenues and a 6.37% decrease in expenses.

Governmental Activities

Revenues for governmental activities, net of transfers were \$2,858,041 and expenses were \$2,746,765 for the year ended June 30, 2011.

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		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 1,783,841	1,714,307	4.06%	1,277,145	978,236	30.56%
Support services	830,787	890,791	-6.74%	816,958	890,791	-8.29%
Other expenses	132,137	315,530	-58.12%	43,641	227,008	-80.78%
Totals	<u>\$ 2,746,765</u>	<u>2,920,628</u>	<u>-5.95%</u>	<u>2,137,744</u>	<u>2,096,035</u>	<u>1.99%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$285,823.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$323,198.
- The net cost of governmental activities was financed with \$914,005 in property tax, \$39,283 in income surtax, \$144,171 in statewide sales, services and use tax, \$1,046,087 in unrestricted state grants, \$67,079 in nonspecific program federal grants, \$3,552 in interest revenue and \$43,368 in other revenue.

Business Type Activities

Revenues, net of transfers of the District's business type activities during the year ended June 30, 2011 were \$99,529 and expenses were \$87,888. 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 \$499,946, below last year's ending fund balances of \$558,532.

Governmental Fund Highlights

- The District's General Fund increased \$61,273. This was due to an increase in property tax and state aid. General Fund expenditures decreased by \$3,343 which is less than 1% and total revenues increased \$209,157 or 8.94%.
- The Capital Projects Fund balance decreased from a restated balance of \$212,612 at the beginning of the fiscal year 2011 to \$75,139. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. This was a result of the District expenditures exceeding revenue from statewide sales, services and use tax and property tax.

Proprietary Fund Highlights

The Proprietary Funds net assets increased from \$296 at June 30, 2010 to \$11,937 at June 30, 2011, representing an increase of 3932.77%. The District received less from state and federal revenue sources than in the prior year.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$8,944 more than total budgeted revenues, a variance of less than one percent. The most significant variance resulted from the District receiving less in state 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$926,521, 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 increase of 24.95% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$102,330.

The original cost of the District's capital assets was \$2,523,342. Governmental funds account for \$2,456,662 with the remainder of \$66,680 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$19,548 at June 30, 2010, compared to \$250,396 reported at June 30, 2011. This increase resulted from concrete and fencing projects being completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 32,000	32,000	0	0	32,000	32,000	0.00%
Buildings	561,856	581,531	0	0	561,856	581,531	-3.38%
Land improvements	250,396	19,548	0	0	250,396	19,548	1180.93%
Machinery and equipment	71,611	95,163	10,658	13,284	82,269	108,447	-24.14%
Total	\$ 915,863	728,242	10,658	13,284	926,521	741,526	24.95%

Long-Term Debt

As of June 30, 2011, the District had no long-term debt obligations.

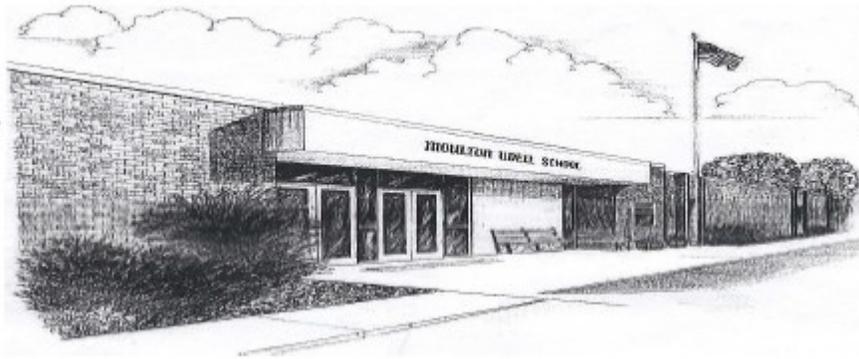
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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 slightly declining enrollment for the past six years, the District expects this trend to continue the next few years.

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, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 598,092	5,996	604,088
Receivables:			
Property tax:			
Delinquent	21,771	0	21,771
Succeeding year	916,995	0	916,995
Income surtax	60,984	0	60,984
Accounts	0	2,488	2,488
Due from other funds	4,275	0	4,275
Due from other governments	126,469	0	126,469
Prepaid items	33,586	0	33,586
Inventories	0	2,853	2,853
Capital assets, net of accumulated depreciation	915,863	10,658	926,521
Net OPEB asset	13,030	0	13,030
Total assets	2,691,065	21,995	2,713,060
Liabilities			
Accounts payable	45,641	0	45,641
Salaries and benefits payable	238,116	4,814	242,930
Due to other funds	0	4,275	4,275
Deferred revenue:			
Succeeding year property tax	916,995	0	916,995
Other	490	0	490
Unearned revenue	0	969	969
Total liabilities	1,201,242	10,058	1,211,300
Net Assets			
Invested in capital assets	915,863	10,658	926,521
Restricted for:			
Categorical funding	185,051	0	185,051
School infrastructure	50,975	0	50,975
Physical plant and equipment	24,164	0	24,164
Management levy purposes	33,508	0	33,508
Student activities	49,693	0	49,693
Unrestricted	230,569	1,279	231,848
Total net assets	\$ 1,489,823	11,937	1,501,760

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Operating Grants, Contributions		Capital Grants, Contributions	Governmental Activities	Business Type Activities	
		Charges for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,044,222	130,208	50,466	0	(863,548)	0	(863,548)
Special	306,651	77,851	41,673	0	(187,127)	0	(187,127)
Other	432,968	77,764	128,734	0	(226,470)	0	(226,470)
	<u>1,783,841</u>	<u>285,823</u>	<u>220,873</u>	<u>0</u>	<u>(1,277,145)</u>	<u>0</u>	<u>(1,277,145)</u>
Support services:							
Student	51,788	0	1,385	0	(50,403)	0	(50,403)
Instructional staff	84,432	0	344	0	(84,088)	0	(84,088)
Administration	252,416	0	0	0	(252,416)	0	(252,416)
Operation and maintenance of plant	280,275	0	0	12,100	(268,175)	0	(268,175)
Transportation	161,876	0	0	0	(161,876)	0	(161,876)
	<u>830,787</u>	<u>0</u>	<u>1,729</u>	<u>12,100</u>	<u>(816,958)</u>	<u>0</u>	<u>(816,958)</u>
Other expenditures:							
AEA flowthrough	88,496	0	88,496	0	0	0	0
Depreciation(unallocated)*	43,641	0	0	0	(43,641)	0	(43,641)
	<u>132,137</u>	<u>0</u>	<u>88,496</u>	<u>0</u>	<u>(43,641)</u>	<u>0</u>	<u>(43,641)</u>
Total governmental activities	2,746,765	285,823	311,098	12,100	(2,137,744)	0	(2,137,744)
Business type activities:							
Support services:							
Operation and maintenance of plant	495	0	0	0	0	(495)	(495)
Non-instructional programs:							
Food service operations	87,393	38,721	51,535	0	0	2,863	2,863
Total business type activities	<u>87,888</u>	<u>38,721</u>	<u>51,535</u>	<u>0</u>	<u>0</u>	<u>2,368</u>	<u>2,368</u>
Total	<u>\$ 2,834,653</u>	<u>324,544</u>	<u>362,633</u>	<u>12,100</u>	<u>(2,137,744)</u>	<u>2,368</u>	<u>(2,135,376)</u>
General Revenues and Transfers:							
General Revenues:							
Property tax levied for:							
General purposes				\$	859,447	0	859,447
Capital outlay					54,558	0	54,558
Income surtax					39,283	0	39,283
Statewide sales, services and use tax					144,171	0	144,171
Unrestricted state grants					1,046,087	0	1,046,087
Nonspecific program federal grants					67,079	0	67,079
Unrestricted investment earnings					3,552	14	3,566
Other revenue					43,368	734	44,102
Transfers					(8,525)	8,525	0
Total general revenues					<u>2,249,020</u>	<u>9,273</u>	<u>2,258,293</u>
Changes in net assets					111,276	11,641	122,917
Net assets beginning of year					1,378,547	296	1,378,843
Net assets end of year					<u>\$ 1,489,823</u>	<u>11,937</u>	<u>1,501,760</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 476,151	39,376	82,565	598,092
Receivables:				
Property tax:				
Delinquent	19,284	1,300	1,187	21,771
Succeeding year	812,251	54,744	50,000	916,995
Income surtax	60,984	0	0	60,984
Due from other funds	6,471	0	0	6,471
Due from other governments	88,415	38,054	0	126,469
Prepaid items	0	0	33,586	33,586
Total assets	\$ 1,463,556	133,474	167,338	1,764,368
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 0	2,196	0	2,196
Accounts payable	43,695	1,395	551	45,641
Salaries and benefits payable	238,116	0	0	238,116
Deferred revenue:				
Succeeding year property tax	812,251	54,744	50,000	916,995
Income surtax	60,984	0	0	60,984
Other	490	0	0	490
Total liabilities	1,155,536	58,335	50,551	1,264,422
Fund balances:				
Nonspendable	0	0	33,586	33,586
Restricted for:				
Categorical funding	185,051	0	0	185,051
School infrastructure	0	50,975	0	50,975
Physical plant and equipment	0	24,164	0	24,164
Management levy purposes	0	0	33,508	33,508
Student activities	0	0	49,693	49,693
Unassigned	122,969	0	0	122,969
Total fund balances	308,020	75,139	116,787	499,946
Total liabilities and fund balances	\$ 1,463,556	133,474	167,338	1,764,368

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, 2011

Total fund balances of governmental funds(page 20)	\$	499,946
 <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.		915,863
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		60,984
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		<u>13,030</u>
Net assets of governmental activities(page 18)	\$	<u><u>1,489,823</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, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 873,688	198,729	49,831	1,122,248
Tuition	179,437	0	0	179,437
Other	70,978	2,702	82,111	155,791
State sources	1,209,666	43	39	1,209,748
Federal sources	214,031	10,100	0	224,131
Total revenues	<u>2,547,800</u>	<u>211,574</u>	<u>131,981</u>	<u>2,891,355</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,023,276	0	0	1,023,276
Special	306,651	0	0	306,651
Other	338,601	0	72,384	410,985
	<u>1,668,528</u>	<u>0</u>	<u>72,384</u>	<u>1,740,912</u>
Support services:				
Student	51,788	0	0	51,788
Instructional staff	93,868	5,458	0	99,326
Administration	253,076	0	0	253,076
Operation and maintenance of plant	178,810	0	37,017	215,827
Transportation	143,436	0	4,966	148,402
	<u>720,978</u>	<u>5,458</u>	<u>41,983</u>	<u>768,419</u>
Other expenditures:				
Facilities acquisitions	0	343,589	0	343,589
AEA flowthrough	88,496	0	0	88,496
	<u>88,496</u>	<u>343,589</u>	<u>0</u>	<u>432,085</u>
Total expenditures	<u>2,478,002</u>	<u>349,047</u>	<u>114,367</u>	<u>2,941,416</u>
Excess(deficiency) of revenues over(under) expenditures	69,798	(137,473)	17,614	(50,061)
Other financing sources(uses):				
Transfers in	775	0	0	775
Transfers out	(9,300)	0	0	(9,300)
Total other financing sources(uses)	<u>(8,525)</u>	<u>0</u>	<u>0</u>	<u>(8,525)</u>
Net changes in fund balances	61,273	(137,473)	17,614	(58,586)
Fund balances beginning of year, as restated	<u>246,747</u>	<u>212,612</u>	<u>99,173</u>	<u>558,532</u>
Fund balances end of year	<u>\$ 308,020</u>	<u>75,139</u>	<u>116,787</u>	<u>499,946</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
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (58,586)

**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	\$ 287,257	
Depreciation expense	(99,636)	187,621

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (24,789)

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.

Other postemployment benefits	7,030	7,030

Changes in net assets of governmental activities(page 19) \$ 111,276

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 5,996
Accounts receivable	2,488
Inventories	2,853
Capital assets, net of accumulated depreciation	<u>10,658</u>
Total assets	<u><u>21,995</u></u>
Liabilities	
Due to other funds	4,275
Salaries and benefits payable	4,814
Unearned revenue	<u>969</u>
Total liabilities	<u><u>10,058</u></u>
Net Assets	
Invested in capital assets	10,658
Unrestricted	<u>1,279</u>
Total net assets	<u><u>\$ 11,937</u></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, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 38,721
Miscellaneous	734
Total operating revenues	39,455
Operating expenses:	
Support services:	
Administration:	
Other	55
Operation and maintenance of plant:	
Services	440
Total support services	495
Non-instructional programs:	
Salaries	28,635
Benefits	4,142
Services	2,810
Supplies	49,180
Depreciation	2,626
Total non-instructional programs	87,393
Total operating expenses	87,888
Operating loss	(48,433)
Non-operating revenues(expenses):	
Transfers in	9,300
Transfers out	(775)
State sources	862
Federal sources	50,673
Interest on investments	14
Total non-operating revenues(expenses)	60,074
Increase in net assets	11,641
Net assets beginning of year	296
Net assets end of year	\$ 11,937

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 37,900
Cash received from miscellaneous	734
Cash payments to employees for services	(35,735)
Cash payments to suppliers for goods or services	(47,489)
Net cash used in operating activities	(44,590)
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(11,225)
Transfers from the General Fund	8,525
State grants received	862
Federal grants received	44,519
Net cash provided by non-capital financing activities	42,681
Cash flows from investing activities:	
Interest on investments	14
Net decrease in cash and cash equivalents	(1,895)
Cash and cash equivalents at beginning of year	7,891
Cash and cash equivalents at end of year	\$ 5,996
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (48,433)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	6,154
Depreciation	2,626
Increase in inventories	(591)
Increase in accounts receivable	(386)
Decrease in accounts payable	(567)
Decrease in salaries and benefits payable	(2,958)
Decrease in unearned revenue	(435)
Net cash used in operating activities	\$ (44,590)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$6,154 of federal commodities.

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 6,266
Liabilities	0
Net Assets	
Restricted for scholarships	\$ 6,266

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 200
Interest income	8
Total additions	<u>208</u>
Change in net assets	208
Net assets beginning of year	<u>6,058</u>
Net assets end of year	<u><u>\$ 6,266</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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 service.

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

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

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

Unrestricted net asset consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources that are 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 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, 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. 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 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 reports the following proprietary fund:

The Enterprise, School 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.

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 - restricted and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, 2011 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 Management 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 and intangibles 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
Intangibles	50,000
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
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid items.

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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; 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,166 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 4,275
General Fund	Capital Projects	2,196
Total		\$ 6,471

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Nutrition Fund	\$ 775
Nutrition Fund	General Fund	<u>9,300</u>
Total		<u><u>\$ 10,075</u></u>

The General Fund and the School Nutrition Fund transferred money between the funds for salaries and benefit expenses during the year.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,000	0	0	32,000
Total capital assets not being depreciated	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Capital assets being depreciated:				
Buildings	1,491,397	10,450	0	1,501,847
Land improvements	25,947	244,364	0	270,311
Machinery and equipment	620,061	32,443	0	652,504
Total capital assets being depreciated	<u>2,137,405</u>	<u>287,257</u>	<u>0</u>	<u>2,424,662</u>
Less accumulated depreciation for:				
Buildings	909,866	30,125	0	939,991
Land improvements	6,399	13,516	0	19,915
Machinery and equipment	524,898	55,995	0	580,893
Total accumulated depreciation	<u>1,441,163</u>	<u>99,636</u>	<u>0</u>	<u>1,540,799</u>
Total capital assets being depreciated, net	<u>696,242</u>	<u>187,621</u>	<u>0</u>	<u>883,863</u>
Governmental activities capital assets, net	<u>\$ 728,242</u>	<u>187,621</u>	<u>0</u>	<u>915,863</u>
Business type activities:				
Machinery and equipment	\$ 66,680	0	0	66,680
Less accumulated depreciation	53,396	2,626	0	56,022
Business type activities capital assets, net	<u>\$ 13,284</u>	<u>(2,626)</u>	<u>0</u>	<u>10,658</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 26,657
Other	792
Support services:	
Instructional staff	3,724
Operation and maintenance of plant	11,348
Transportation	13,474
	<hr/>
	55,995
Unallocated depreciation	43,641
	<hr/>
Total governmental activities depreciation expense	\$ 99,636
	<hr/> <hr/>
Business type activities:	
Food service operations	\$ 2,694
	<hr/> <hr/>

(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of its annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$97,227, \$97,999, and \$79,253, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 29 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,000
Interest on net OPEB obligation	(270)
Adjustment to annual required contribution	240
Annual OPEB cost	<u>13,970</u>
Contributions made	<u>(21,000)</u>
Decrease in net OPEB obligation	(7,030)
Net OPEB obligation beginning of year	<u>(6,000)</u>
Net OPEB obligation end of year	<u><u>\$ (13,030)</u></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, 2011.

For the year ended June 30, 2011, the District contributed \$21,000 to the medical plan. Plan members eligible for benefits contributed \$22,000, or 51.16% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 14,000	142.86%	\$ (6,000)
2011	13,970	150.32%	(13,030)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$175,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$175,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$937,645 and the ratio of the UAAL to covered payroll was 18.66%. As of June 30, 2011, 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Employees are assumed to retire at the latest of age 63 or the eligibility age.

Projected claim costs of the medical plan are \$886 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) 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, 2011 was \$218,769.

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, 2011 no liability has been recorded in the District's financial statements. As of June 30, 2011 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.

(9) 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 \$88,496 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the budgeted amount.

(11) Categorical Funding

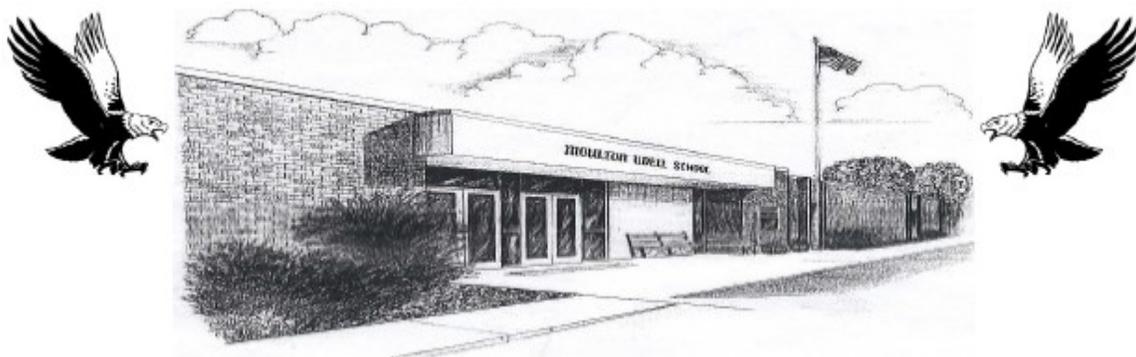
The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Returning dropouts and dropout prevention programs	\$ 92,075
Beginning teacher mentoring and induction program	948
Teacher salary supplement	34,385
Statewide voluntary preschool program grants	31,770
Professional development for model core curriculum	9,420
Professional development	14,463
Market factor incentives	1,990
	<hr/>
Total	<u>\$ 185,051</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 158,477	\$ 54,135
Change in fund type classification per implementation of GASB Statement No. 54	54,135	(54,135)
Balance July 1, 2010 as restated	<u>\$ 212,612</u>	<u>\$ 0</u>



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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 1,457,476	39,469	1,496,945	1,460,259	1,460,259	36,686
State sources	1,209,748	862	1,210,610	1,330,806	1,330,806	(120,196)
Federal sources	224,131	50,673	274,804	182,350	182,350	92,454
Total revenues	2,891,355	91,004	2,982,359	2,973,415	2,973,415	8,944
Expenditures/expense:						
Instruction	1,740,912	0	1,740,912	1,757,690	1,800,000	59,088
Support services	768,419	495	768,914	876,125	900,000	131,086
Non-instructional programs	0	87,393	87,393	104,000	115,000	27,607
Other expenditures	432,085	0	432,085	274,918	350,000	(82,085)
Total expenditures/expenses	2,941,416	87,888	3,029,304	3,012,733	3,165,000	135,696
Excess(deficiency) of revenues over(under) expenditures/expenses	(50,061)	3,116	(46,945)	(39,318)	(191,585)	144,640
Other financing sources, net	(8,525)	8,525	0	(6,346)	(6,346)	6,346
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(58,586)	11,641	(46,945)	(45,664)	(197,931)	150,986
Balances beginning of year	558,532	296	558,828	380,246	380,246	178,582
Balances end of year	\$ 499,946	11,937	511,883	334,582	182,315	329,568

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 expenditures by \$152,267.

During the year ended June 30, 2011, expenditures in the other expenditures functional area exceeded the amounts budgeted.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR
THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	0	\$ 175,000	175,000	0.00%	\$ 1,126,190	15.54%
2011	July 1, 2009	0	175,000	175,000	0.00%	937,645	18.66%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 32,321	50,244	82,565
Receivables:			
Property tax:			
Delinquent	1,187	0	1,187
Succeeding year	50,000	0	50,000
Prepaid items	33,586	0	33,586
Total assets	\$ 117,094	50,244	167,338
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	551	551
Deferred revenue:			
Succeeding year property tax	50,000	0	50,000
Total liabilities	50,000	551	50,551
Fund balances:			
Nonspendable	33,586	0	33,586
Restricted for:			
Management levy purposes	33,508	0	33,508
Student activities	0	49,693	49,693
Total fund balances	67,094	49,693	116,787
Total liabilities and fund balances	\$ 117,094	50,244	167,338

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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 49,831	0	49,831
Other	3,536	78,575	82,111
State	39	0	39
Total revenues	<u>53,406</u>	<u>78,575</u>	<u>131,981</u>
Expenditures:			
Current:			
Instruction:			
Other	0	72,384	72,384
Support services:			
Operation and maintenance of plant	37,017	0	37,017
Transportation	4,966	0	4,966
Total expenditures	<u>41,983</u>	<u>72,384</u>	<u>114,367</u>
Excess of revenues over expenditures	11,423	6,191	17,614
Fund balances beginning of year, as restated	<u>55,671</u>	<u>43,502</u>	<u>99,173</u>
Fund balances end of year	<u>\$ 67,094</u>	<u>49,693</u>	<u>116,787</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 25,217	14,159	39,376
Receivables:			
Succeeding year	0	54,744	54,744
Delinquent	0	1,300	1,300
Due from other governments	27,954	10,100	38,054
Total assets	\$ 53,171	80,303	133,474
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ 2,196	0	2,196
Accounts payable	0	1,395	1,395
Deferred revenue			
Succeeding year property tax	0	54,744	54,744
Total liabilities	2,196	56,139	58,335
Fund balances:			
Restricted for:			
School infrastructure	50,975	0	50,975
Physical plant and equipment	0	24,164	24,164
Total fund balances	50,975	24,164	75,139
Total liabilities and fund balances	\$ 53,171	80,303	133,474

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, 2011

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 144,171	54,558	198,729
Other	2,258	444	2,702
State sources	0	43	43
Federal sources	0	10,100	10,100
Total revenues	<u>146,429</u>	<u>65,145</u>	<u>211,574</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	5,458	0	5,458
Other expenditures:			
Facilities acquisitions	248,473	95,116	343,589
Total expenditures	<u>253,931</u>	<u>95,116</u>	<u>349,047</u>
Deficiency of revenues under expenditures	(107,502)	(29,971)	(137,473)
Fund balances beginning of year, as restated	<u>158,477</u>	<u>54,135</u>	<u>212,612</u>
Fund balances end of year	<u>\$ 50,975</u>	<u>24,164</u>	<u>75,139</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 892	142	254	0	780
Speech	106	0	0	0	106
Musicals	302	0	0	0	302
Instrumental Music	0	573	1,230	657	0
Boys Athletics	0	0	8,373	8,373	0
Girls Athletics	0	0	12,679	12,679	0
Athletics	8,993	16,863	190	(21,052)	4,614
Annual	5,849	6,397	0	0	12,246
Art Club	416	339	517	0	238
Cheerleaders	976	1,094	1,106	0	964
Honor Society	705	0	187	0	518
SADD	47	1,007	314	0	740
FFA	6,227	16,538	17,809	0	4,956
Spanish Club	52	0	0	0	52
Student Council	2,258	13,339	7,379	(246)	7,972
FFA-IDA Project	1,153	2,294	1,864	0	1,583
Interest	0	411	0	(411)	0
Class of 2011	8,789	3,075	11,703	0	161
Class of 2012	273	14,677	7,545	0	7,405
Class of 2013	182	68	0	0	250
Class of 2014	36	15	0	0	51
Class of 2015	200	227	194	0	233
Class of 2016	911	0	0	0	911
Class of 2017	0	25	0	0	25
Class of 2018	0	15	0	0	15
Class of 2019	33	162	137	0	58
Class of 2020	154	499	269	0	384
Class of 2021	85	40	85	0	40
Class of 2022	130	40	75	0	95
Class of 2023	0	735	474	0	261
Popcorn Machine	22	0	0	0	22
Elementary	3,983	0	0	0	3,983
High School	728	0	0	0	728
Total	\$ 43,502	78,575	72,384	0	49,693

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, 2011

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarship	Moulton Locker	Elsie Alberts	Total
ASSETS				
Cash and pooled investments	\$ 4,866	600	800	6,266
LIABILITIES				
	0	0	0	0
NET ASSETS				
Restricted for scholarships	\$ 4,866	600	800	6,266

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarships	Moulton Locker	Elsie Alberts	Total
Additions:				
Local sources:				
Gifts and Contributions	\$ 0	200	0	200
Interest income	8	0	0	8
Total additions	8	200	0	208
Changes in net assets	8	200	0	208
Net assets beginning of year	4,858	400	800	6,058
Net assets end of year	\$ 4,866	600	800	6,266

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,122,248	1,007,165	1,027,273	968,831	933,417	927,334	825,227	749,900
Tuition	179,437	150,638	142,673	167,784	100,334	205,102	128,700	150,002
Other	155,791	128,779	181,080	193,357	206,601	152,809	143,741	158,109
State	1,209,748	1,105,405	1,302,340	1,266,651	1,145,392	1,144,790	1,267,292	1,179,818
Federal	224,131	264,891	131,282	104,709	134,232	138,450	134,128	155,327
Total	\$ 2,891,355	2,656,878	2,784,648	2,701,332	2,519,976	2,568,485	2,499,088	2,393,156
Expenditures:								
Current:								
Instruction:								
Regular	\$ 1,023,276	1,050,671	1,016,202	956,850	943,688	939,823	889,344	1,018,301
Special	306,651	264,392	286,102	262,503	225,909	299,365	320,155	333,913
Other	410,985	403,997	351,839	375,673	387,990	278,273	340,440	285,497
Support services:								
Student	51,788	47,969	42,009	14,557	35,040	26,202	30,054	26,559
Instructional staff	99,326	147,623	94,252	87,198	54,901	93,343	50,997	8,888
Administration	253,076	310,270	343,651	296,551	327,621	309,408	286,564	302,959
Operation and maintenance of plant	215,827	234,517	219,497	214,306	225,573	221,438	171,432	211,273
Transportation	148,402	147,701	110,386	161,373	167,167	116,802	113,475	105,441
Non-instructional programs	0	0	0	0	0	0	260	225
Other expenditures:								
Facilities acquisitions	343,589	196,283	258,195	102,916	90,311	41,460	21,614	0
Long-term debt:								
Principal	0	0	0	0	12,792	12,792	24,740	46,175
Interest	0	0	0	0	399	384	1,486	2,120
AEA flow-through	88,496	88,522	82,079	80,196	77,328	76,283	77,230	77,390
Total	\$ 2,941,416	2,891,945	2,804,212	2,552,123	2,548,719	2,415,573	2,327,791	2,418,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT



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117 West 3rd Street North, Newton, Iowa 50208-3050
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
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 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2012. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be 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, 2011 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, and is not intended to be and should not be used by anyone other than these specified parties.

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson, P.C." The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2012

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 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 will continue to examine options to maximize segregation of duties.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, exceeded the amended certified budget amounts in the other expenditure functional area.

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 - We will better monitor late expenditures to prevent this from happening in the future.

Conclusion - Response accepted.

II-B-11 Questionable Disbursements – 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.

II-C-11 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.

However, we noted during our audit that reimbursements to employees for travel expenses had no detailed receipts attached for supporting documentation. According to District Board policy 401.7, employees that seek reimbursement of expenses must attach a detailed receipt to the claim form otherwise the expense becomes the employees’ expense.

Recommendation - The District should review Board Policy 401.7 with employees to ensure that receipts for all reimbursable expenses are attached for supporting documentation.

Response - The District will review Board Policy with employees and require documentation for reimbursements.

Conclusion - Response accepted.

II-D-11 Business Transactions - No business transactions between the District and District officials were noted.

II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-11 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-J-11 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-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 Statewide Sales, Services, and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 158,477
Revenues:		
Sales tax revenues	\$ 144,171	
Other local revenues	2,258	146,429
	<u> </u>	<u>304,906</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 244,417	
Equipment	5,458	
Other	4,056	253,931
	<u> </u>	<u> </u>
Ending balance		<u><u>\$ 50,975</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will review outstanding checks and act appropriately.

Conclusion - Response accepted.