

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Moulton-Udell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Travis Harris	President	2015
Wade Fowler	Vice President	2013
Brian Davis	Board Member	2013
Rex Harris	Board Member	2015
Justin McCoy	Board Member	2015
(After September 2013 Election)		
Travis Harris	President (Resigned April 2014)	2015
Justin McCoy	Vice President (Appointed President April 2014)	2015
Andrea Snider	Board Member (Appointed Vice President April 2014)	2017
Chad Howard	Board Member	2017
Rex Harris	Board Member	2015
Mark King	Board Member (Appointed May 2014)	2015
School Officials		
Anthony Ryan	Superintendent	2014
Lisa Swarts	Board Secretary/ Business Manager	2014
Marilyn Wood	District Treasurer	2014
Richard Gaumer	Attorney	2014



NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moulton-Udell Community School District, Moulton, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moulton-Udell Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moulton-Udell Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2015 on our consideration of Moulton-Udell Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Moulton-Udell Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2015
Newton, Iowa

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,445,203 in fiscal 2013 to \$2,629,770 in fiscal 2014, while General Fund expenditures increased from \$2,355,453 in fiscal 2013 to \$2,546,109 in fiscal 2014. The District's General Fund balance increased from \$440,362 at June 30, 2013 to \$524,023 at June 30, 2014, a 19.00% increase.
- The increase in General Fund revenues resulted from an increase in revenues from state and federal sources. The increase in General Fund expenditures was the result of an increase in instructional and support services expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position 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.

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.

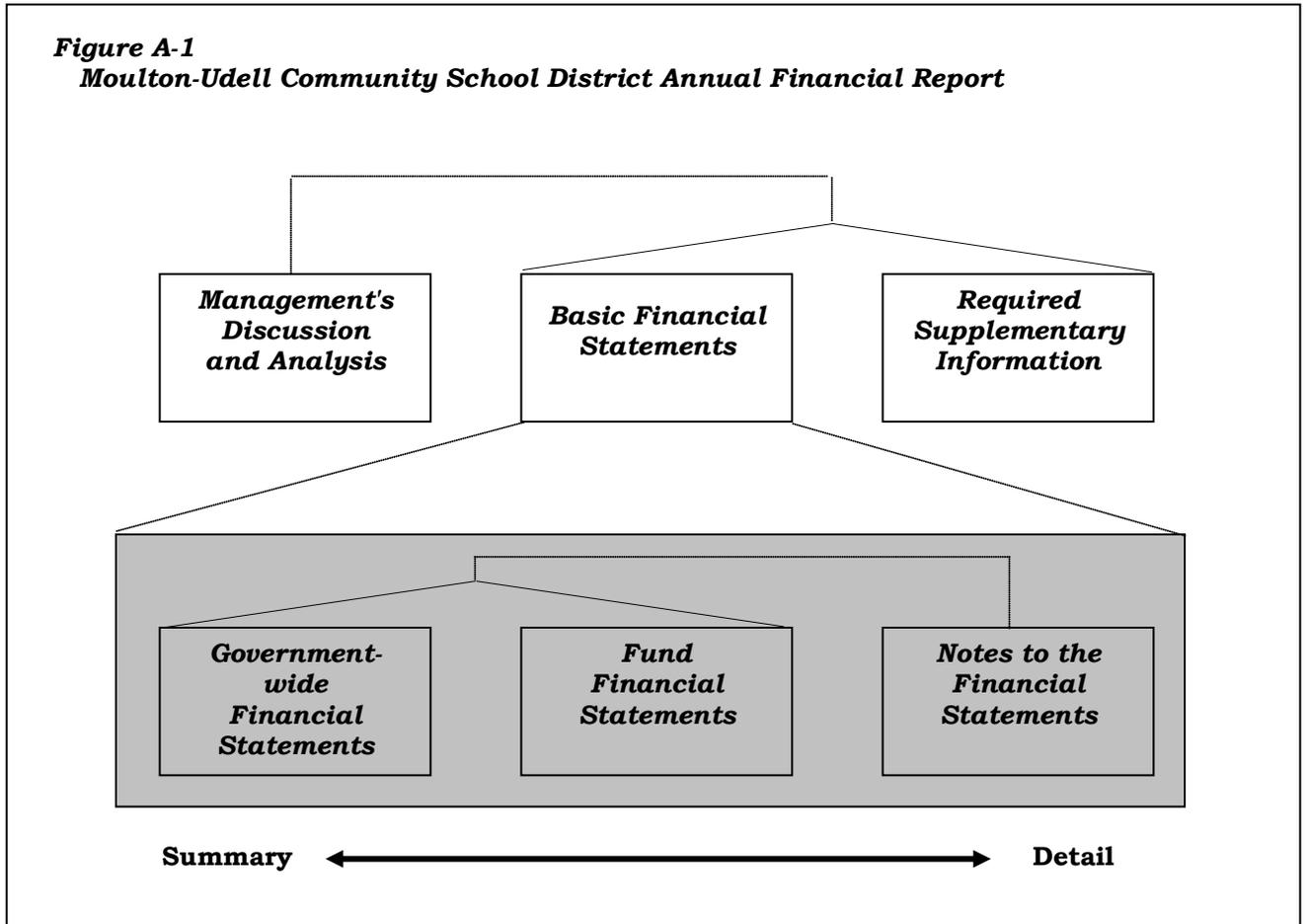


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net position is 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 the 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 Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position 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 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 Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 2,610,370	2,320,209	19,917	18,054	2,630,287	2,338,263	12.49%
Capital assets	747,673	830,771	10,679	13,566	758,352	844,337	-10.18%
Total assets	<u>3,358,043</u>	<u>3,150,980</u>	<u>30,596</u>	<u>31,620</u>	<u>3,388,639</u>	<u>3,182,600</u>	<u>6.47%</u>
Other liabilities	317,627	295,846	7,652	6,899	325,279	302,745	7.44%
Total liabilities	<u>317,627</u>	<u>295,846</u>	<u>7,652</u>	<u>6,899</u>	<u>325,279</u>	<u>302,745</u>	<u>7.44%</u>
Deferred inflows of resources	961,389	1,002,715	-	-	961,389	1,002,715	-4.12%
Net position:							
Net investment in capital assets	747,673	830,771	10,679	13,566	758,352	844,337	-10.18%
Restricted	985,477	693,201	-	-	985,477	693,201	42.16%
Unrestricted	345,877	328,447	12,265	11,155	358,142	339,602	5.46%
Total net position	<u>\$ 2,079,027</u>	<u>1,852,419</u>	<u>22,944</u>	<u>24,721</u>	<u>2,101,971</u>	<u>1,877,140</u>	<u>11.98%</u>

The District's combined net position increased by 11.98%, or \$224,831, from the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net position represents the resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$292,276, or 42.16% from the prior year. This was primarily the result of an increase in the Capital Projects: Statewide Sales, Services, & Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$18,540, or 5.46%. The primary reason for the increase in unrestricted net position is the increase in the General Fund balance.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 233,000	239,638	31,887	40,872	264,887	280,510	-5.57%
Operating grants, contributions and restricted interest	324,455	273,011	65,211	62,063	389,666	335,074	16.29%
General revenues:							
Property tax	1,003,000	1,070,546	-	-	1,003,000	1,070,546	-6.31%
Income surtax	96,052	75,252	-	-	96,052	75,252	27.64%
Statewide sales, services and use tax	195,935	173,146	-	-	195,935	173,146	13.16%
Unrestricted state grants	1,153,565	958,801	-	-	1,153,565	958,801	20.31%
Unrestricted investment earnings	3,796	2,999	8	6	3,804	3,005	26.59%
Other	5,805	8,061	994	421	6,799	8,482	-19.84%
Total revenues	<u>3,015,608</u>	<u>2,801,454</u>	<u>98,100</u>	<u>103,362</u>	<u>3,113,708</u>	<u>2,904,816</u>	<u>7.19%</u>
Program expenses:							
Instructional	1,759,909	1,687,320	-	-	1,759,909	1,687,320	4.30%
Support services	862,636	781,403	-	576	862,636	781,979	10.31%
Non-instructional programs	-	-	99,877	102,811	99,877	102,811	-2.85%
Other expenses	166,455	126,024	-	-	166,455	126,024	32.08%
Total expenses	<u>2,789,000</u>	<u>2,594,747</u>	<u>99,877</u>	<u>103,387</u>	<u>2,888,877</u>	<u>2,698,134</u>	<u>7.07%</u>
Change in net position	226,608	206,707	(1,777)	(25)	224,831	206,682	8.78%
Net position beginning of year	<u>1,852,419</u>	<u>1,645,712</u>	<u>24,721</u>	<u>24,746</u>	<u>1,877,140</u>	<u>1,670,458</u>	<u>12.37%</u>
Net position end of year	<u>\$ 2,079,027</u>	<u>1,852,419</u>	<u>22,944</u>	<u>24,721</u>	<u>2,101,971</u>	<u>1,877,140</u>	<u>11.98%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 71.51% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 98.98% of the revenue from business type activities.

The District's total revenues were approximately \$3.11 million, of which approximately \$3.01 million was for governmental activities and \$0.10 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.19% increase in revenues and a 7.07% increase in expenses. The increase in revenues can be attributed primarily to an increase in unrestricted state grants. The increase in expenses was due to increases in instructional, support services, and other expenditures.

Governmental Activities

Revenues for governmental activities were \$3,015,608 and expenses were \$2,789,000 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 1,759,909	1,687,320	4.30%	1,286,847	1,252,525	2.74%
Support services	862,636	781,403	10.40%	861,465	780,984	10.31%
Other expenses	166,455	126,024	32.08%	83,233	48,589	71.30%
Totals	<u>\$ 2,789,000</u>	<u>2,594,747</u>	<u>7.49%</u>	<u>2,231,545</u>	<u>2,082,098</u>	<u>7.18%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$233,000.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$324,455.
- The net cost of governmental activities was financed with \$1,003,000 in property tax, \$96,052 in income surtax, \$195,935 in statewide sales, services and use tax, \$1,153,565 in unrestricted state grants, \$3,796 in interest revenue and \$5,805 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2014 were \$98,100 and expenses were \$99,877. 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, investment income and other miscellaneous revenue.

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 \$1,243,652, above last year's ending fund balances of \$943,559. The primary reason for the increase in combined fund balance in fiscal 2014 was due to the increase in the Capital Projects: Statewide Sales, Services, & Use Tax fund balance.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from \$440,362 at June 30, 2013 to \$524,023 at June 30, 2014. General Fund revenues and expenses both increased from the prior year. The increase in revenues was primarily due to an increase in state sources received over the prior year.
- The Capital Projects Fund balance increased from \$398,396 at June 30, 2013 to \$607,905 at June 30, 2014. The increase in fund balance resulted from a moderate increase in revenues combined with reduced expenditures for instructional staff and transportation support services when compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$24,721 at June 30, 2013 to \$22,944 at June 30, 2014, representing a decrease of 7.19%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$197,210 more than total budgeted revenues, a variance of 6.78%. The most significant variance resulted from the District receiving more from 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$758,352, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 10.18% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$111,490.

The original cost of the District's capital assets was \$2,554,068. Governmental funds account for \$2,478,167 with the remainder of \$75,901 in the Proprietary funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$87,365 at June 30, 2013, compared to \$33,756 reported at June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 32,000	32,000	-	-	32,000	32,000	0.00%
Buildings	482,747	501,607	-	-	482,747	501,607	-3.76%
Land improvements	209,849	223,365	-	-	209,849	223,365	-6.05%
Machinery and equipment	23,077	73,799	10,679	13,566	33,756	87,365	-61.36%
Total	\$ 747,673	830,771	10,679	13,566	758,352	844,337	-10.18%

Long-Term Debt

As of June 30, 2014, the District had no long-term debt obligations.

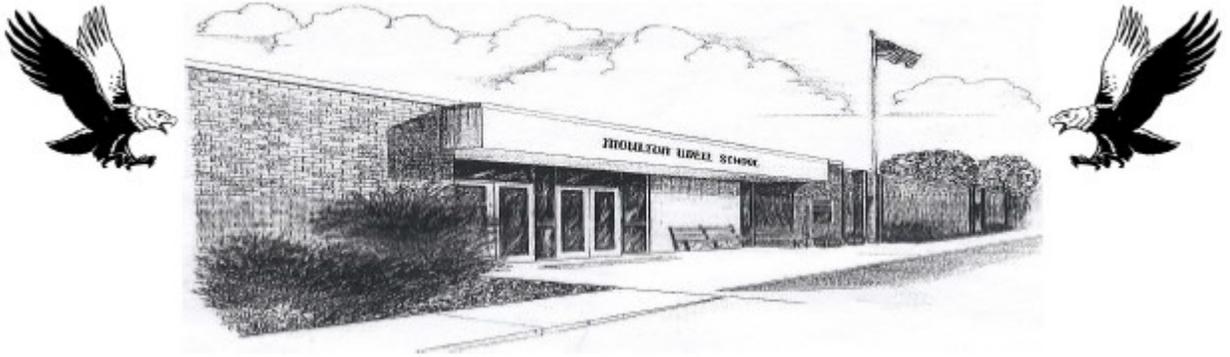
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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 declining enrollment for the last several years and the District expects this trend to continue in the future.
- The District has experienced a sharp decline in unspent balance for several years and expects this trend to continue.

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 and Business Manager, Moulton-Udell Community School District, 305 East 8th, Moulton, Iowa, 52572.



BASIC FINANCIAL STATEMENTS

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,413,038	10,945	1,423,983
Receivables:			
Property tax:			
Delinquent	25,415	-	25,415
Succeeding year	961,389	-	961,389
Income surtax	73,543	-	73,543
Accounts	-	6,290	6,290
Due from other governments	122,826	-	122,826
Inventories	-	2,682	2,682
Capital assets, net of accumulated depreciation	747,673	10,679	758,352
Net OPEB asset	14,159	-	14,159
Total assets	3,358,043	30,596	3,388,639
Liabilities			
Accounts payable	103,259	-	103,259
Salaries and benefits payable	214,368	5,966	220,334
Unearned revenue	-	1,686	1,686
Total liabilities	317,627	7,652	325,279
Deferred inflows of resources			
Unavailable property tax revenue	961,389	-	961,389
Net Position			
Net investment in capital assets	747,673	10,679	758,352
Restricted for:			
Categorical funding	265,848	-	265,848
School infrastructure	524,738	-	524,738
Physical plant and equipment	83,167	-	83,167
Management levy purposes	75,968	-	75,968
Student activities	35,756	-	35,756
Unrestricted	345,877	12,265	358,142
Total net position	\$ 2,079,027	22,944	2,101,971

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,158,402	160,421	42,791	(955,190)	-	(955,190)
Special	200,773	-	70,645	(130,128)	-	(130,128)
Other	400,734	72,579	126,626	(201,529)	-	(201,529)
	<u>1,759,909</u>	<u>233,000</u>	<u>240,062</u>	<u>(1,286,847)</u>	<u>-</u>	<u>(1,286,847)</u>
Support services:						
Student	67,705	-	1,171	(66,534)	-	(66,534)
Instructional staff	109,485	-	-	(109,485)	-	(109,485)
Administration	293,023	-	-	(293,023)	-	(293,023)
Operation and maintenance of plant	251,746	-	-	(251,746)	-	(251,746)
Transportation	140,677	-	-	(140,677)	-	(140,677)
	<u>862,636</u>	<u>-</u>	<u>1,171</u>	<u>(861,465)</u>	<u>-</u>	<u>(861,465)</u>
Other expenditures:						
AEA flowthrough	83,222	-	83,222	-	-	-
Depreciation(unallocated)*	83,233	-	-	(83,233)	-	(83,233)
	<u>166,455</u>	<u>-</u>	<u>83,222</u>	<u>(83,233)</u>	<u>-</u>	<u>(83,233)</u>
Total governmental activities	<u>2,789,000</u>	<u>233,000</u>	<u>324,455</u>	<u>(2,231,545)</u>	<u>-</u>	<u>(2,231,545)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	99,877	31,887	65,211	-	(2,779)	(2,779)
Total	<u>\$ 2,888,877</u>	<u>264,887</u>	<u>389,666</u>	<u>(2,231,545)</u>	<u>(2,779)</u>	<u>(2,234,324)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 942,429	-	942,429
Capital outlay				60,571	-	60,571
Income surtax				96,052	-	96,052
Statewide sales, services and use tax				195,935	-	195,935
Unrestricted state grants				1,153,565	-	1,153,565
Unrestricted investment earnings				3,796	8	3,804
Other				5,805	994	6,799
Total general revenues				<u>2,458,153</u>	<u>1,002</u>	<u>2,459,155</u>
Change in net position				226,608	(1,777)	224,831
Net position beginning of year				<u>1,852,419</u>	<u>24,721</u>	<u>1,877,140</u>
Net position end of year				<u>\$ 2,079,027</u>	<u>22,944</u>	<u>2,101,971</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, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 756,888	539,823	116,327	1,413,038
Receivables:				
Property tax:				
Delinquent	22,613	1,535	1,267	25,415
Succeeding year	802,595	58,794	100,000	961,389
Income surtax	73,543	-	-	73,543
Due from other governments	56,018	66,808	-	122,826
Total assets	\$ 1,711,657	666,960	217,594	2,596,211
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 97,128	261	5,870	103,259
Salaries and benefits payable	214,368	-	-	214,368
Total liabilities	311,496	261	5,870	317,627
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	802,595	58,794	100,000	961,389
Income surtax	73,543	-	-	73,543
Total deferred inflows of resources	876,138	58,794	100,000	1,034,932
Fund balances:				
Restricted for:				
Categorical funding	265,848	-	-	265,848
School infrastructure	-	524,738	-	524,738
Physical plant and equipment	-	83,167	-	83,167
Management levy purposes	-	-	75,968	75,968
Student activities	-	-	35,756	35,756
Unassigned	258,175	-	-	258,175
Total fund balances	524,023	607,905	111,724	1,243,652
Total liabilities, deferred inflows of resources and fund balances	\$ 1,711,657	666,960	217,594	2,596,211

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 1,243,652
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	747,673
Accounts receivable income surtax, are not yet available to finance expenditures of the current period and, therefore, are recognized as deferred inflows of resources in the governmental funds.	73,543
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	<u>14,159</u>
Net position of governmental activities(page 18)	<u><u>\$ 2,079,027</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, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 980,916	60,571	50,016	1,091,503
Tuition	153,689	-	-	153,689
Other	26,809	1,429	74,585	102,823
State sources	1,306,396	195,977	34	1,502,407
Federal sources	157,637	-	-	157,637
Total revenues	<u>2,625,447</u>	<u>257,977</u>	<u>124,635</u>	<u>3,008,059</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,168,376	-	-	1,168,376
Special	200,773	-	-	200,773
Other	328,038	-	71,904	399,942
	<u>1,697,187</u>	<u>-</u>	<u>71,904</u>	<u>1,769,091</u>
Support services:				
Student	67,705	-	-	67,705
Instructional staff	86,276	23,293	-	109,569
Administration	293,335	-	-	293,335
Operation and maintenance of plant	191,263	-	40,872	232,135
Transportation	127,121	-	4,936	132,057
	<u>765,700</u>	<u>23,293</u>	<u>45,808</u>	<u>834,801</u>
Capital outlay	<u>-</u>	<u>25,175</u>	<u>-</u>	<u>25,175</u>
Other expenditures:				
AEA flowthrough	83,222	-	-	83,222
Total expenditures	<u>2,546,109</u>	<u>48,468</u>	<u>117,712</u>	<u>2,712,289</u>
Excess of revenues over expenditures	79,338	209,509	6,923	295,770
Other financing sources:				
Insurance proceeds	4,323	-	-	4,323
Change in fund balances	83,661	209,509	6,923	300,093
Fund balances beginning of year	<u>440,362</u>	<u>398,396</u>	<u>104,801</u>	<u>943,559</u>
Fund balances end of year	<u>\$ 524,023</u>	<u>607,905</u>	<u>111,724</u>	<u>1,243,652</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, 2014

Change in fund balances - total governmental funds(page 22) \$ 300,093

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Expenditures for capital outlays and depreciation expense for the year is as follows:

Capital outlay	\$ 25,505	
Depreciation expense	<u>(108,603)</u>	(83,098)

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 7,549

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, as follows:

Other postemployment benefits	<u>2,064</u>	
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Change in net position of governmental activities(page 19) \$ 226,608

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 10,945
Accounts receivable	6,290
Inventories	2,682
Total current assets	19,917
Noncurrent assets:	
Capital assets, net of accumulated depreciation	10,679
Total assets	30,596
Liabilities	
Current liabilities:	
Salaries and benefits payable	5,966
Unearned revenue	1,686
Total liabilities	7,652
Net Position	
Net investment in capital assets	10,679
Unrestricted	12,265
Total net position	\$ 22,944

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 31,887
Miscellaneous	994
Total operating revenues	32,881
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	31,477
Benefits	5,157
Supplies	59,965
Other	391
Depreciation	2,887
Total operating expenses	99,877
Operating loss	(66,996)
Non-operating revenues:	
State sources	865
Federal sources	64,346
Interest on investments	8
Total non-operating revenues	65,219
Change in net position	(1,777)
Net position beginning of year	24,721
Net position end of year	\$ 22,944

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 32,215
Cash received from miscellaneous	994
Cash payments to employees for services	(36,451)
Cash payments to suppliers for goods or services	(54,758)
Net cash used in operating activities	(58,000)
Cash flows from non-capital financing activities:	
State grants received	865
Federal grants received	58,263
Net cash provided by non-capital financing activities	59,128
Cash flows from investing activities:	
Interest on investments	8
Net increase in cash and cash equivalents	1,136
Cash and cash equivalents beginning of year	9,809
Cash and cash equivalents end of year	\$ 10,945
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (66,996)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	6,083
Depreciation	2,887
Increase in inventories	(485)
Increase in accounts receivable	(242)
Increase in salaries and benefits payable	183
Increase in unearned revenue	570
Net cash used in operating activities	\$ (58,000)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$6,083 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 5,834</u>
Liabilities	<u>-</u>
Net Position	
Restricted for scholarships	<u>\$ 5,834</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	<u>\$ 6</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>250</u>
Change in net position	(244)
Net position beginning of year	<u>6,078</u>
Net position end of year	<u><u>\$ 5,834</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 and the collection and use of the statewide sales, services and use tax.

The District reports the following non major 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 position and changes in net position. 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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.

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

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

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

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 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 Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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 Position in the Proprietary Funds.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District’s deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,169 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor’s Financial Services.

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 75,901	-	-	75,901
Less accumulated depreciation	62,335	2,887	-	65,222
Business type activities capital assets, net	<u>\$ 13,566</u>	<u>(2,887)</u>	<u>-</u>	<u>10,679</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,000	-	-	32,000
Total capital assets not being depreciated	<u>32,000</u>	-	-	<u>32,000</u>
Capital assets being depreciated:				
Buildings	1,501,847	11,858	-	1,513,705
Land improvements	270,311	-	-	270,311
Machinery and equipment	648,504	13,647	-	662,151
Total capital assets being depreciated	<u>2,420,662</u>	<u>25,505</u>	-	<u>2,446,167</u>
Less accumulated depreciation for:				
Buildings	1,000,240	30,718	-	1,030,958
Land improvements	46,946	13,516	-	60,462
Machinery and equipment	574,705	64,369	-	639,074
Total accumulated depreciation	<u>1,621,891</u>	<u>108,603</u>	-	<u>1,730,494</u>
Total capital assets being depreciated, net	<u>798,771</u>	<u>(83,098)</u>	-	<u>715,673</u>
Governmental activities capital assets, net	<u>\$ 830,771</u>	<u>(83,098)</u>	-	<u>747,673</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 5,174
Other	792
Support services:	
Operation and maintenance of plant	10,743
Transportation	<u>8,661</u>
	25,370
Unallocated depreciation	<u>83,233</u>
Total governmental activities depreciation expense	<u>\$ 108,603</u>
Business type activities:	
Food service operations	<u>\$ 2,887</u>

Note 4. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$122,649, \$112,428 and \$112,800, respectively, equal to the required contributions for each year.

Note 5. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 24 active and 4 retired members in the plan. Retired 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	28,000
Interest on net OPEB obligation		(544)
Adjustment to annual required contribution		480
Annual OPEB cost		<u>27,936</u>
Contributions made		<u>(30,000)</u>
Increase in net OPEB obligation		(2,064)
Net OPEB obligation beginning of year		<u>(12,095)</u>
Net OPEB obligation end of year	\$	<u><u>(14,159)</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, 2014.

For the year ended June 30, 2014, the District contributed \$30,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 13,935	121.99%	\$ (16,095)
2013	28,000	85.71	(12,095)
2014	27,936	107.39	(14,159)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$252,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$252,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,058,906 and the ratio of the UAAL to covered payroll was 23.80%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the 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 10.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.50% each year until reaching the 5.00% 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 60 or the eligibility age.

Projected claim costs of the medical plan are \$985 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 6. 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, 2014 was \$214,263.

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, 2014 no liability has been recorded in the District's financial statements. As of June 30, 2014 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.

Note 7. 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 \$83,222 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Categorical Funding

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

Program	Amount
Home School Assistance Program	\$ 108
Weighted At-Risk Programs	12,161
Gifted and Talented Programs	7,332
Returning Dropouts and Dropout Prevention Programs	75,191
Four-year-old Preschool State Aid	75,512
Beginning Teacher Mentoring and Induction Programs	2,077
Teacher Salary Supplement	40,037
Successful Progression for Early Readers	13,442
Professional Development for Model Core Curriculum	20,902
Professional Development	11,265
Market Factor Incentives	1,990
Teacher Leadership Grants	5,831
Total	<u>\$ 265,848</u>

Note 9. Prospective Accounting Change

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



REQUIRED SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,348,015	32,889	1,380,904	1,384,503	1,384,503	(3,599)
State sources	1,502,407	865	1,503,272	1,364,446	1,364,446	138,826
Federal sources	157,637	64,346	221,983	160,000	160,000	61,983
Total revenues	<u>3,008,059</u>	<u>98,100</u>	<u>3,106,159</u>	<u>2,908,949</u>	<u>2,908,949</u>	<u>197,210</u>
Expenditures/expenses:						
Instruction	1,769,091	-	1,769,091	1,986,000	1,986,000	216,909
Support services	834,801	-	834,801	974,100	974,100	139,299
Non-instructional programs	-	99,877	99,877	100,000	100,000	123
Other expenditures	108,397	-	108,397	138,028	138,028	29,631
Total expenditures/expenses	<u>2,712,289</u>	<u>99,877</u>	<u>2,812,166</u>	<u>3,198,128</u>	<u>3,198,128</u>	<u>385,962</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	295,770	(1,777)	293,993	(289,179)	(289,179)	583,172
Other financing sources, net	4,323	-	4,323	-	-	4,323
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	300,093	(1,777)	298,316	(289,179)	(289,179)	587,495
Balances beginning of year	943,559	24,721	968,280	407,466	407,466	560,814
Balances end of year	<u>\$ 1,243,652</u>	<u>22,944</u>	<u>1,266,596</u>	<u>118,287</u>	<u>118,287</u>	<u>1,148,309</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 175,000	175,000	0.00%	\$ 1,126,190	15.54%
2011	July 1, 2009	-	175,000	175,000	0.00	937,645	18.66
2012	July 1, 2009	-	175,000	175,000	0.00	1,122,642	15.59
2013	July 1, 2012	-	252,000	252,000	0.00	989,211	25.47
2014	July 1, 2012	-	252,000	252,000	0.00	1,058,906	23.80

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 76,779	39,548	116,327
Receivables:			
Property tax:			
Delinquent	1,267	-	1,267
Succeeding year	100,000	-	100,000
Total assets	\$ 178,046	39,548	217,594
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,078	3,792	5,870
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	100,000	-	100,000
Fund balances:			
Restricted for:			
Management levy purposes	75,968	-	75,968
Student activities	-	35,756	35,756
Total fund balances	75,968	35,756	111,724
Total liabilities, deferred inflows of resources and fund balances	\$ 178,046	39,548	217,594

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, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 50,016	-	50,016
Other	1,634	72,951	74,585
State sources	34	-	34
Total revenues	<u>51,684</u>	<u>72,951</u>	<u>124,635</u>
Expenditures:			
Current:			
Instruction:			
Other	-	71,904	71,904
Support services:			
Operation and maintenance of plant	40,872	-	40,872
Transportation	4,936	-	4,936
Total expenditures	<u>45,808</u>	<u>71,904</u>	<u>117,712</u>
Change in fund balances	5,876	1,047	6,923
Fund balances beginning of year	<u>70,092</u>	<u>34,709</u>	<u>104,801</u>
Fund balances end of year	<u>\$ 75,968</u>	<u>35,756</u>	<u>111,724</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 458,191	81,632	539,823
Receivables:			
Property tax:			
Delinquent	-	1,535	1,535
Succeeding year	-	58,794	58,794
Due from other governments	66,808	-	66,808
Total assets	\$ 524,999	141,961	666,960
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 261	-	261
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	58,794	58,794
Fund balances:			
Restricted for:			
School infrastructure	524,738	-	524,738
Physical plant and equipment	-	83,167	83,167
Total fund balances	524,738	83,167	607,905
Total liabilities, deferred inflows of resources and fund balances	\$ 524,999	141,961	666,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	60,571	60,571
Other	1,252	177	1,429
State sources	195,935	42	195,977
Total revenues	<u>197,187</u>	<u>60,790</u>	<u>257,977</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	3,393	19,900	23,293
Capital outlay	23,525	1,650	25,175
Total expenditures	<u>26,918</u>	<u>21,550</u>	<u>48,468</u>
Change in fund balances	170,269	39,240	209,509
Fund balances beginning of year	<u>354,469</u>	<u>43,927</u>	<u>398,396</u>
Fund balances end of year	<u>\$ 524,738</u>	<u>83,167</u>	<u>607,905</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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 755	-	-	(1)	754
Speech	-	-	154	154	-
Musicals	474	500	-	-	974
Instrumental Music	-	311	1,019	708	-
Boys Athletics	-	-	5,721	5,721	-
Girls Athletics	60	-	12,173	12,113	-
Athletics	3,441	17,229	1,545	(17,834)	1,291
Annual	4,909	5,161	82	-	9,988
Art Club	914	610	110	-	1,414
Cheerleaders	651	880	811	-	720
Honor Society	99	109	183	-	25
SADD	58	-	-	-	58
FFA	5,629	20,031	20,218	1	5,443
Spanish Club	52	-	-	-	52
Student Council	3,180	4,842	6,639	(522)	861
FFA-IDA Project	2,156	1,201	1,032	-	2,325
Interest	-	182	-	(182)	-
Class of 2012	-	32	-	(32)	-
Class of 2013	126	-	-	(126)	-
Class of 2014	5,092	9,547	14,389	-	250
Class of 2015	906	12,298	7,828	-	5,376
Class of 2016	856	-	-	-	856
Class of 2017	28	-	-	-	28
Class of 2018	40	18	-	-	58
Class of 2019	58	-	-	-	58
Class of 2020	307	-	-	-	307
Class of 2021	40	-	-	-	40
Class of 2022	27	-	-	-	27
Class of 2023	278	-	-	-	278
Popcorn Machine	22	-	-	-	22
Elementary	3,823	-	-	-	3,823
High School	728	-	-	-	728
Total	<u>\$ 34,709</u>	<u>72,951</u>	<u>71,904</u>	<u>-</u>	<u>35,756</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarships	Moulton Locker	Elsie Alberts	Total
Assets				
Cash and pooled investments	\$ 4,884	400	550	5,834
Liabilities				
	-	-	-	-
Net Position				
Restricted for scholarships	\$ 4,884	400	550	5,834

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund			
	Undistributed Scholarships	Moulton Locker	Elsie Alberts	Total
Additions:				
Local sources:				
Interest income	\$ 6	-	-	6
Deductions:				
Instruction:				
Regular:				
Scholarships awarded	-	-	250	250
Change in net position	6	-	(250)	(244)
Net position beginning of year	4,878	400	800	6,078
Net position end of year	\$ 4,884	400	550	5,834

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 TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,091,503	1,317,242	1,271,352	1,122,248	1,007,165	1,027,273	968,831	933,417	927,334	825,227
Tuition	153,689	165,592	176,272	179,437	150,638	142,673	167,784	100,334	205,102	128,700
Other	102,823	86,041	108,251	155,791	128,779	181,080	193,357	206,601	152,809	143,741
State	1,502,407	1,101,822	1,116,737	1,209,748	1,105,405	1,302,340	1,266,651	1,145,392	1,144,790	1,267,292
Federal	157,637	129,055	94,937	224,131	264,891	131,282	104,709	134,232	138,450	134,128
Total	\$ 3,008,059	2,799,752	2,767,549	2,891,355	2,656,878	2,784,648	2,701,332	2,519,976	2,568,485	2,499,088
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,168,376	1,092,127	1,037,373	1,023,276	1,050,671	1,016,202	956,850	943,688	939,823	889,344
Special	200,773	207,848	255,677	306,651	264,392	286,102	262,503	225,909	299,365	320,155
Other	399,942	369,938	440,229	410,985	403,997	351,839	375,673	387,990	278,273	340,440
Support services:										
Student	67,705	50,556	50,689	51,788	47,969	42,009	14,557	35,040	26,202	30,054
Instructional staff	109,569	99,015	76,524	99,326	147,623	94,252	87,198	54,901	93,343	50,997
Administration	293,335	266,307	269,668	253,076	310,270	343,651	296,551	327,621	309,408	286,564
Operation and maintenance of plant	232,135	212,454	205,125	215,827	234,517	219,497	214,306	225,573	221,438	171,432
Transportation	132,057	162,471	118,345	148,402	147,701	110,386	161,373	167,167	116,802	113,475
Non-instructional programs	-	-	-	-	-	-	-	-	-	260
Capital outlay	25,175	14,533	41,789	343,589	196,283	258,195	102,916	90,311	41,460	21,614
Long-term debt:										
Principal	-	-	-	-	-	-	-	12,792	12,792	24,740
Interest	-	-	-	-	-	-	-	399	384	1,486
Other expenditures:										
AEA flow-through	83,222	77,435	77,265	88,496	88,522	82,079	80,196	77,328	76,283	77,230
Total	\$ 2,712,289	2,552,684	2,572,684	2,941,416	2,891,945	2,804,212	2,552,123	2,548,719	2,415,573	2,327,791

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



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 on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moulton-Udell Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 through I-D-14 to be significant deficiencies.

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 which 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Moulton-Udell Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2015
Newton, Iowa

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, and depositing; posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, preparation, posting and distribution.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.
- 8) School lunch program - collecting and depositing; journalizing, posting, reconciling, purchase order processing and check preparation

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 review procedures and continue to look for ways to maximize segregation of duties with its extremely limited support staff.

Conclusion - Response accepted.

I-B-14 Payroll Procedures - During our audit we noted the District entered into a sharing agreement with Centerville Community School District to share the services of a technology coordinator for the year ended June 30, 2014. Moulton-Udell Community School District retained the tech coordinator's contract while services and costs were to be split evenly. We noted repeated discrepancies in the tech coordinator's time sheets regarding the hours and locations claimed by the technology coordinator and the District's timeline. We also noted that the technology coordinator's supervisor did not always sign off on the tech coordinator's timesheets in a timely manner. After in house discussion and review of the documentation collected, the District Board Secretary suggested billing Centerville Community School District for the additional hours due above and beyond the existing sharing arrangement, which was subsequently paid.

Although District personnel were able to subsequently identify and correct the errors created by the inaccurate timesheets, the multiple discrepancies spanning a four month period suggests a breakdown in internal controls regarding the accuracy and administrative approval of employee timesheets.

Recommendation - Timesheets should always be filled out accurately and timely for the time and location present, especially since the costs are being shared between two separate entities. Procedures regarding the proper submission of timesheets should be reviewed with the appropriate District staff. Timesheets should be approved by the appropriate supervisor in a timely manner.

Response - The District will review proper payroll procedures with staff and will continue to monitor hourly staff members that are being shared between two separate entities and make sure that timesheets are being signed in a timely manner by the proper supervisor.

Conclusion - Response accepted.

- I-C-14 Purchase Orders - We noted during our audit the District currently uses purchase orders in the purchasing process, however, multiple instances of invoices without purchase orders were noted in the General Fund and Student Activity Fund.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review its purchase order system and will follow the proper protocol so that all disbursements are approved by the appropriate administrator.

Conclusion - Response accepted.

- I-D-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books.

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

Response - The District will review procedures and policies in regards to the negative student accounts. The District will continue to give all families a free/reduced lunch application. The District will also look into options for a system that would help to prevent the accounts from going negative and will also continue to look for ways to collect on accounts already outstanding.

Conclusion - Response accepted.

OTHER MATTERS:

I-E-14 Board Policies - We noted during our audit some of the policies in the District's board policy book appear to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will review board policy book and will update policies in a timely manner.

Conclusion - Response accepted.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
- II-B-14 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-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Davis, Board Member Part owner of Moulton Gas & Wash	Fuel	\$ 2,041

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted. However, the District did not meet the October 15th deadline for certifying enrollment for the fall of 2013 as required by Chapter 257.6 (7b) of the Code of Iowa.

Recommendation - The District should review procedures to ensure that enrollment data is certified to the Iowa Department of Education in a timely manner to be in compliance with Iowa Code 257.6 (7b).

Response - The District will review procedures for filing reports so that the deadline for certifying enrollment is met as required by Chapter 257.6 (7b) of the Code of Iowa.

Conclusion - Response accepted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services, and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	354,469
Revenues:			
Sales tax revenues	\$	195,935	
Other local revenues		<u>1,252</u>	<u>197,187</u>
			551,656
Expenditures:			
School infrastructure construction		23,525	
Equipment		<u>3,393</u>	<u>26,918</u>
Ending balance			<u>\$ 524,738</u>

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