

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
<i>Private Purpose Trust Accounts:</i>		
Combining Schedule of Fiduciary Net Position	6	57
Combining Schedule of Changes in Fiduciary Net Position	7	58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	59
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 <u>Government Auditing Standards</u>		60-61
Schedule of Findings		62-65

Moulton-Udell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Randy Welch	President	2015
Andrea Snider	Vice President	2017
Justin McCoy	Board Member	2015
Chad Howard	Board Member	2017
Mark King	Board Member	2015
School Officials		
Brian VanderSluis	Superintendent	2015
Lisa Swarts	Board Secretary/ Business Manager	2015
Marilyn Wood	District Treasurer	2015
Richard Gaumer	Attorney	2015

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Moulton-Udell Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 49 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions 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 28, 2016 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.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,629,770 in fiscal year 2014 to \$2,610,382 in fiscal year 2015, while General Fund expenditures decreased from \$2,546,109 in fiscal year 2014 to \$2,376,351 in fiscal year 2015. The District's General Fund balance increased from \$524,023 at June 30, 2014 to \$758,054 at June 30, 2015, a 44.66% increase.
- The decrease in General Fund revenues resulted from a decrease in local tax sources received as compared to the previous year. The decrease in General Fund expenditures was the result of a decrease in support services expenditures incurred compared to the prior year.

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 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, the District's proportionate share of the net pension liability and related contributions, 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.

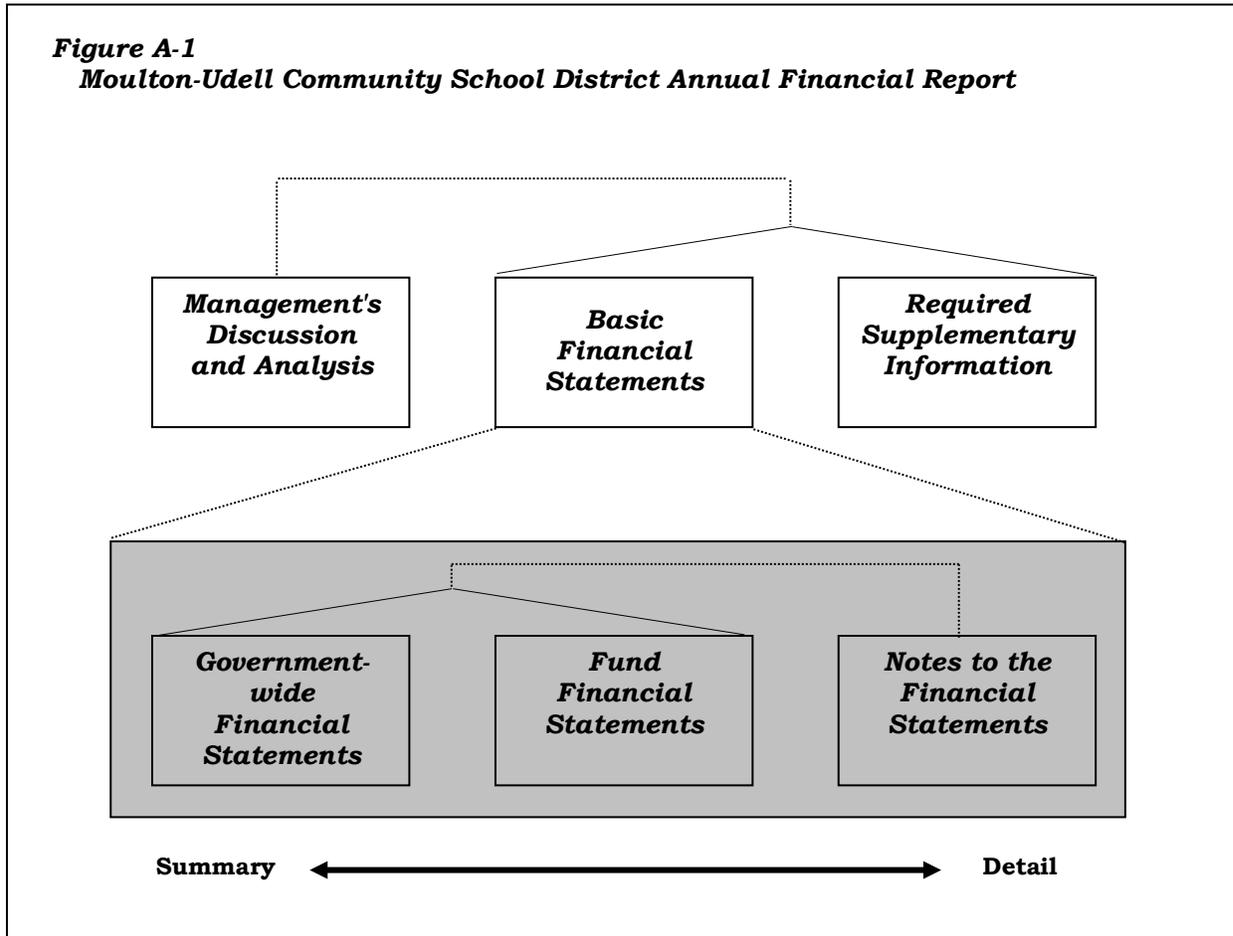


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: 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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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, 2015 compared to June 30, 2014.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15	
Current and other assets	\$ 3,131,151	2,610,370	15,881	19,917	3,147,032	2,630,287	19.65%	
Capital assets	812,358	747,673	20,828	10,679	833,186	758,352	9.87%	
Total assets	3,943,509	3,358,043	36,709	30,596	3,980,218	3,388,639	17.46%	
Deferred outflows of resources	185,079	-	4,295	-	189,374	-	100.00%	
Long-term liabilities	813,852	-	18,563	-	832,415	-	100.00%	
Other liabilities	374,585	317,627	5,483	7,652	380,068	325,279	16.84%	
Total liabilities	1,188,437	317,627	24,046	7,652	1,212,483	325,279	272.75%	
Deferred inflows of resources	1,348,515	961,389	7,079	-	1,355,594	961,389	41.00%	
Net position:								
Net investment in capital assets	812,358	747,673	20,828	10,679	833,186	758,352	9.87%	
Restricted	1,129,568	985,477	-	-	1,129,568	985,477	14.62%	
Unrestricted	(350,290)	345,877	(10,949)	12,265	(361,239)	358,142	-200.86%	
Total net position	\$ 1,591,636	2,079,027	9,879	22,944	1,601,515	2,101,971	-23.81%	

The District's combined net position decreased by 23.81%, or \$500,456 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 \$144,091, or 14.62% from the prior year. The increase in restricted net position was primarily the result of an increase in the Capital Projects: Statewide Sales, Services, & Use Tax Fund balance as compared to the prior 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 - decreased approximately \$719,381, or 200.86%. The decrease in unrestricted net position was due primarily to the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$989,985 and \$22,580, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to June 30, 2014.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-15
	Revenues:						
Program revenues:							
Charges for service	\$ 218,396	233,000	33,787	31,887	252,183	264,887	-4.80%
Operating grants, contributions and restricted interest	233,889	324,455	68,058	65,211	301,947	389,666	-22.51%
General revenues:							
Property tax	984,808	1,003,000	-	-	984,808	1,003,000	-1.81%
Income surtax	92,367	96,052	-	-	92,367	96,052	-3.84%
Statewide sales, services and use tax	218,866	195,935	-	-	218,866	195,935	11.70%
Unrestricted state grants	1,310,212	1,153,565	-	-	1,310,212	1,153,565	13.58%
Unrestricted investment earnings	4,536	3,796	9	8	4,545	3,804	19.48%
Other	21,577	5,805	247	994	21,824	6,799	220.99%
Total revenues	3,084,651	3,015,608	102,101	98,100	3,186,752	3,113,708	2.35%
Program expenses:							
Instruction	1,656,179	1,759,909	-	-	1,656,179	1,759,909	-5.89%
Support services	777,095	862,636	-	-	777,095	862,636	-9.92%
Non-instructional programs	-	-	106,807	99,877	106,807	99,877	6.94%
Other expenses	134,562	166,455	-	-	134,562	166,455	-19.16%
Total expenses	2,567,836	2,789,000	106,807	99,877	2,674,643	2,888,877	-7.42%
Excess(Deficiency) of revenues over(under) expenses	516,815	226,608	(4,706)	(1,777)	512,109	224,831	127.78%
Transfers	(14,221)	-	14,221	-	-	-	0.00%
Change in net position	502,594	226,608	9,515	(1,777)	512,109	224,831	127.78%
Net position beginning of year, as restated	1,089,042	1,852,419	364	24,721	1,089,406	1,877,140	-41.96%
Net position end of year	\$ 1,591,636	2,079,027	9,879	22,944	1,601,515	2,101,971	-23.81%

In fiscal year 2015, property tax and unrestricted state grants accounted for 74.40% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.75% of the revenue from business type activities.

The District's total revenues were approximately \$3.19 million, of which approximately \$3.09 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 2.35% increase in revenues and a 7.42% decrease in expenses. The increase in revenues can be attributed primarily to an increase in unrestricted state grants received as compared to the prior year. The decrease in expenses was due in part to a decrease in expenditures incurred in the instruction functional area as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$3,084,651 and expenses were \$2,567,836 for the year ended June 30, 2015.

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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 1,656,179	1,759,909	-5.89%	1,324,807	1,286,847	2.95%
Support services	777,095	862,636	-9.92%	746,510	861,465	-13.34%
Other expenses	134,562	166,455	-19.16%	44,234	83,233	-46.86%
Total	<u>\$ 2,567,836</u>	<u>2,789,000</u>	<u>-7.93%</u>	<u>2,115,551</u>	<u>2,231,545</u>	<u>-5.20%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$218,396.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$233,889.
- The net cost of governmental activities was financed with \$984,808 in property tax, \$92,367 in income surtax, \$218,866 in statewide sales, services and use tax, \$1,310,212 in unrestricted state grants, \$4,536 in interest income and \$21,577 in other general revenues.

Business Type Activities

Revenues for business type activities for the year ended June 30, 2015 were \$102,101 and expenses were \$106,807. 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 general 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 \$1,618,608, above last year's ending fund balances of \$1,243,652. The primary reason for this increase in combined fund balances is due to the increase in fund balance of the General Fund during the year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. The General Fund balance increased from \$524,023 at June 30, 2014 to \$758,054 at June 30, 2015. A decrease in local tax sources received during the year as compared to the prior year resulted in a decrease in revenues. The decrease in support services expenditures resulted in a decrease in expenses. Revenues outpaced expenditures ensuring an increase in ending fund balance.
- The Capital Projects Fund balance increased from \$607,905 at June 30, 2014 to \$680,510 at June 30, 2015. The increase is primarily due to increased state sources received during the year as compared to the previous year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$364 restated at July 1, 2014, to \$9,879 at June 30, 2015.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$161,140 more than budgeted revenues, a variance of 5.35%. 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, 2015, the District had invested \$833,186, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 9.87% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$71,590.

The original cost of the District's capital assets was \$2,662,802. Governmental funds accounted for \$2,572,680 with the remainder of \$90,122 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$77,617 at June 30, 2015, compared to \$33,756 reported at June 30, 2014. This increase is mainly attributable to the purchase of two caravans.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 32,000	32,000	-	-	32,000	32,000	0.00%
Construction in progress	75,207	-	-	-	75,207	-	100.00%
Buildings	452,029	482,747	-	-	452,029	482,747	-6.36%
Land improvements	196,333	209,849	-	-	196,333	209,849	-6.44%
Machinery and equipment	56,789	23,077	20,828	10,679	77,617	33,756	129.94%
Total	<u>\$ 812,358</u>	<u>747,673</u>	<u>20,828</u>	<u>10,679</u>	<u>833,186</u>	<u>758,352</u>	<u>9.87%</u>

Long-Term Debt

At June 30, 2015, the District had \$832,415 in long-term debt outstanding. This represents an increase of 100.00% from the prior year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 3 to the financial statements.

Figure A-7								
Outstanding Long-Term Obligations								
Governmental		Business Type		Total		Total		
Activities		Activities		District		Change		
June 30,		June 30,		June 30,		June 30,		
2014		2014		2014		2014-15		
2015 (Not restated)		2015 (Not restated)		2015 (Not restated)		2014-15		
Net pension liability	\$	813,852	-	18,563	-	832,415	-	100.00%

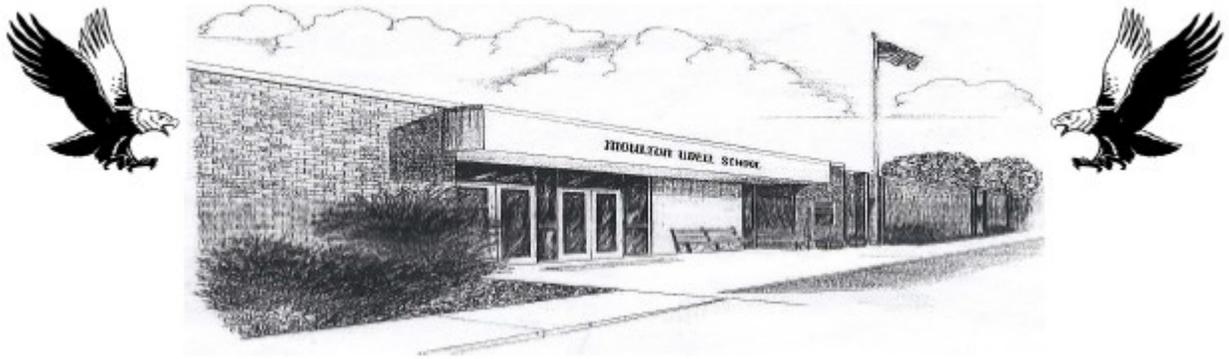
ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for 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, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,900,022	5,799	1,905,821
Receivables:			
Property tax:			
Delinquent	24,964	-	24,964
Succeeding year	1,038,135	-	1,038,135
Income surtax	88,589	-	88,589
Accounts	-	5,072	5,072
Due from other governments	68,207	-	68,207
Inventories	-	5,010	5,010
Net OPEB asset	11,234	-	11,234
Capital assets, net of accumulated depreciation	812,358	20,828	833,186
Total assets	3,943,509	36,709	3,980,218
Deferred outflows of resources			
Pension related deferred outflows	185,079	4,295	189,374
Liabilities			
Accounts payable	170,424	-	170,424
Salaries and benefits payable	204,161	5,483	209,644
Long-term liabilities:			
Net pension liability	813,852	18,563	832,415
Total liabilities	1,188,437	24,046	1,212,483
Deferred inflows of resources			
Unavailable property tax revenue	1,038,135	-	1,038,135
Pension related deferred inflows	310,380	7,079	317,459
Total deferred inflows of resources	1,348,515	7,079	1,355,594
Net Position			
Net investment in capital assets	812,358	20,828	833,186
Restricted for:			
Categorical funding	269,014	-	269,014
School infrastructure	621,410	-	621,410
Physical plant and equipment	59,100	-	59,100
Management levy purposes	135,641	-	135,641
Student activities	44,403	-	44,403
Unrestricted	(350,290)	(10,949)	(361,239)
Total net position	\$ 1,591,636	9,879	1,601,515

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,090,784	115,603	35,075	(940,106)	-	(940,106)
Special	228,203	-	11,444	(216,759)	-	(216,759)
Other	337,192	73,253	95,997	(167,942)	-	(167,942)
	<u>1,656,179</u>	<u>188,856</u>	<u>142,516</u>	<u>(1,324,807)</u>	<u>-</u>	<u>(1,324,807)</u>
Support services:						
Student	72,558	22,693	1,045	(48,820)	-	(48,820)
Instructional staff	111,641	6,847	-	(104,794)	-	(104,794)
Administration	245,632	-	-	(245,632)	-	(245,632)
Operation and maintenance of plant	219,557	-	-	(219,557)	-	(219,557)
Transportation	127,707	-	-	(127,707)	-	(127,707)
	<u>777,095</u>	<u>29,540</u>	<u>1,045</u>	<u>(746,510)</u>	<u>-</u>	<u>(746,510)</u>
Other expenditures:						
AEA flowthrough	90,328	-	90,328	-	-	-
Depreciation(unallocated)*	44,234	-	-	(44,234)	-	(44,234)
	<u>134,562</u>	<u>-</u>	<u>90,328</u>	<u>(44,234)</u>	<u>-</u>	<u>(44,234)</u>
Total governmental activities	<u>2,567,836</u>	<u>218,396</u>	<u>233,889</u>	<u>(2,115,551)</u>	<u>-</u>	<u>(2,115,551)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	106,807	33,787	68,058	-	(4,962)	(4,962)
Total	<u>\$ 2,674,643</u>	<u>252,183</u>	<u>301,947</u>	<u>(2,115,551)</u>	<u>(4,962)</u>	<u>(2,120,513)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 925,114	-	925,114
Capital outlay				59,694	-	59,694
Income surtax				92,367	-	92,367
Statewide sales, services and use tax				218,866	-	218,866
Unrestricted state grants				1,310,212	-	1,310,212
Unrestricted investment earnings				4,536	9	4,545
Other				21,577	247	21,824
Transfers				(14,221)	14,221	-
Total general revenues and transfers				<u>2,618,145</u>	<u>14,477</u>	<u>2,632,622</u>
Change in net position				502,594	9,515	512,109
Net position beginning of year, as restated				<u>1,089,042</u>	<u>364</u>	<u>1,089,406</u>
Net position end of year				<u>\$ 1,591,636</u>	<u>9,879</u>	<u>1,601,515</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, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 988,811	732,723	178,488	1,900,022
Receivables:				
Property tax:				
Delinquent	20,877	1,513	2,574	24,964
Succeeding year	976,610	61,525	-	1,038,135
Income surtax	88,589	-	-	88,589
Due from other governments	34,096	34,111	-	68,207
Total assets	\$ 2,108,983	829,872	181,062	3,119,917
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 81,569	87,837	1,018	170,424
Salaries and benefits payable	204,161	-	-	204,161
Total liabilities	285,730	87,837	1,018	374,585
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	976,610	61,525	-	1,038,135
Income surtax	88,589	-	-	88,589
Total deferred inflows of resources	1,065,199	61,525	-	1,126,724
Fund balances:				
Restricted for:				
Categorical funding	269,014	-	-	269,014
School infrastructure	-	621,410	-	621,410
Physical plant and equipment	-	59,100	-	59,100
Management levy purposes	-	-	135,641	135,641
Student activities	-	-	44,403	44,403
Unassigned	489,040	-	-	489,040
Total fund balances	758,054	680,510	180,044	1,618,608
Total liabilities, deferred inflows of resources and fund balances	\$ 2,108,983	829,872	181,062	3,119,917

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, 2015

Total fund balances of governmental funds(page 20)	\$	1,618,608
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		812,358
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.		88,589
Other postemployment benefits are not available to finance expenditures of the current fiscal period.		11,234
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 185,079	
Deferred inflows of resources	<u>(310,380)</u>	(125,301)
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		<u>(813,852)</u>
Net position of governmental activities(page 18)	\$	<u><u>1,591,636</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, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 900,904	59,694	101,531	1,062,129
Tuition	110,178	-	-	110,178
Other	56,255	2,179	76,841	135,275
State sources	1,453,545	218,907	71	1,672,523
Federal sources	89,500	-	-	89,500
Total revenues	<u>2,610,382</u>	<u>280,780</u>	<u>178,443</u>	<u>3,069,605</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,101,415	-	-	1,101,415
Special	227,709	-	-	227,709
Other	285,046	-	65,703	350,749
	<u>1,614,170</u>	<u>-</u>	<u>65,703</u>	<u>1,679,873</u>
Support services:				
Student	71,689	-	-	71,689
Instructional staff	70,584	44,859	-	115,443
Administration	249,209	-	-	249,209
Operation and maintenance of plant	165,210	-	38,839	204,049
Transportation	115,161	41,026	5,581	161,768
	<u>671,853</u>	<u>85,885</u>	<u>44,420</u>	<u>802,158</u>
Capital outlay	-	122,290	-	122,290
Other expenditures:				
AEA flowthrough	90,328	-	-	90,328
Total expenditures	<u>2,376,351</u>	<u>208,175</u>	<u>110,123</u>	<u>2,694,649</u>
Change in fund balances	234,031	72,605	68,320	374,956
Fund balances beginning of year	<u>524,023</u>	<u>607,905</u>	<u>111,724</u>	<u>1,243,652</u>
Fund balances end of year	<u>\$ 758,054</u>	<u>680,510</u>	<u>180,044</u>	<u>1,618,608</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, 2015

Change in fund balances - total governmental funds(page 22) \$ 374,956

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

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

Capital outlay	\$ 132,203	
Depreciation expense	<u>(67,518)</u>	64,685

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 15,046

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 117,158

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	(2,925)	
Pension expense	<u>(66,326)</u>	<u>(69,251)</u>

Change in net position of governmental activities(page 19) \$ 502,594

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 5,799
Accounts receivable	5,072
Inventories	5,010
Total current assets	15,881
Noncurrent assets:	
Capital assets, net of accumulated depreciation	20,828
Total assets	36,709
Deferred outflows of resources	
Pension related deferred outflows	4,295
Liabilities	
Current liabilities:	
Salaries and benefits payable	5,483
Noncurrent liabilities:	
Net pension liability	18,563
Total liabilities	24,046
Deferred inflows of resources	
Pension related deferred inflows	7,079
Net Position	
Net investment in capital assets	20,828
Unrestricted	(10,949)
Total net position	\$ 9,879

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, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 33,787
Miscellaneous	247
Total operating revenues	34,034
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	30,764
Benefits	3,851
Supplies	67,919
Other	201
Depreciation	4,072
Total operating expenses	106,807
Operating loss	(72,773)
Non-operating revenues:	
State sources	932
Federal sources	67,126
Interest on investments	9
Total non-operating revenues	68,067
Change in net position before other financing sources	(4,706)
Other financing sources:	
Capital contributions	14,221
Change in net position	9,515
Net position beginning of year, as restated	364
Net position end of year	\$ 9,879

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 33,319
Cash received from miscellaneous	247
Cash payments to employees for services	(36,331)
Cash payments to suppliers for goods or services	(64,957)
Net cash used by operating activities	(67,722)
Cash flows from non-capital financing activities:	
State grants received	932
Federal grants received	61,635
Net cash provided by non-capital financing activities	62,567
Cash flows from investing activities:	
Interest on investments	9
Net decrease in cash and pooled investments	(5,146)
Cash and pooled investments beginning of year	10,945
Cash and pooled investments end of year	\$ 5,799
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (72,773)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	5,491
Depreciation	4,072
Increase in inventories	(2,328)
Decrease in accounts receivable	1,218
Decrease in net pension liability	(6,752)
Increase in deferred outflows of resources	(1,560)
Increase in deferred inflows of resources	7,079
Decrease in salaries and benefits payable	(483)
Decrease in unearned revenue	(1,686)
Net cash used by operating activities	\$ (67,722)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received Federal commodities valued at \$5,491.

During the year ended June 30, 2015, the District received capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund of \$14,221.

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 8,592
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 8,592</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON UDELL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,000
Interest income	<u>8</u>
Total additions	<u>3,008</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>250</u>
Change in net position	2,758
Net position beginning of year	<u>5,834</u>
Net position end of year	<u>\$ 8,592</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 predominately 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

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.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - 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, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,170 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. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Net pension liability	\$ 1,109,899	-	296,047	813,852	-
Business type activities:					
Net pension liability	\$ 25,315	-	6,752	18,563	-

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 32,000	-	-	32,000
Construction in progress	-	75,207	-	75,207
Total capital assets not being depreciated	32,000	75,207	-	107,207
Capital assets being depreciated:				
Buildings	1,513,705	-	-	1,513,705
Land improvements	270,311	-	-	270,311
Machinery and equipment	662,151	56,996	37,690	681,457
Total capital assets being depreciated	2,446,167	56,996	37,690	2,465,473
Less accumulated depreciation for:				
Buildings	1,030,958	30,718	-	1,061,676
Land improvements	60,462	13,516	-	73,978
Machinery and equipment	639,074	23,284	37,690	624,668
Total accumulated depreciation	1,730,494	67,518	37,690	1,760,322
Total capital assets being depreciated, net	715,673	(10,522)	-	705,151
Governmental activities capital assets, net	\$ 747,673	64,685	-	812,358
Business type activities:				
Machinery and equipment	\$ 75,901	14,221	-	90,122
Less accumulated depreciation	65,222	4,072	-	69,294
Business type activities capital assets, net	\$ 10,679	10,149	-	20,828

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 5,965
Support services:	
Administration	4,949
Operation and maintenance of plant	2,867
Transportation	9,503
	23,284
Unallocated depreciation	44,234
Total governmental activities depreciation expense	\$ 67,518
Business type activities:	
Food service operations	\$ 4,072

Note 5. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$119,904.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$832,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.020568 percent, which was an increase of 0.000519 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$67,839. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,047	\$ -
Changes of assumptions	36,736	-
Net difference between projected and actual earnings on pension plan investments	-	317,459
Changes in proportion and differences between District contributions and proportionate share of contributions	23,687	-
District contributions subsequent to the measurement date	119,904	-
Total	<u>\$ 189,374</u>	<u>\$ 317,459</u>

\$119,904 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (63,133)
2017	(63,133)
2018	(63,133)
2019	(63,133)
2020	4,543
	<u>\$ (247,989)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 1,572,824	\$ 832,415	\$ 207,432

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$14,149 for legally required employer contributions and \$9,428 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. 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, 2015, 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		(637)
Adjustment to annual required contribution		562
Annual OPEB cost		<u>27,925</u>
Contributions made		<u>(25,000)</u>
Increase in net OPEB obligation		2,925
Net OPEB obligation beginning of year		<u>(14,159)</u>
Net OPEB obligation end of year	\$	<u><u>(11,234)</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, 2015.

For the year ended June 30, 2015, the District contributed \$25,000 to the medical plan. Plan members eligible for benefits contributed \$30,000, or 54.55% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 28,000	85.71%	\$ (12,095)
2014	27,936	107.39	(14,159)
2015	27,925	89.53	(11,234)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$999,184 and the ratio of the UAAL to covered payroll was 25.22%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress 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 projected unit credit cost 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 7. 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, 2015 were \$182,962.

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, 2015 no liability has been recorded in the District's financial statements. As of June 30, 2015 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 8. 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 \$90,328 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
At-Risk Supplemental Weighting Programs	\$ 20,551
Gifted and Talented Programs	7,044
Returning Dropouts and Dropout Prevention Programs	50,749
Four-year-old Preschool State Aid	75,514
Beginning Teacher Mentoring and Induction Programs	4,054
Teacher Salary Supplement	41,863
Successful Progression for Early Readers	25,338
Professional Development for Model Core Curriculum	23,516
Professional Development	12,564
Market Factor Incentives	1,990
Teacher Leadership Grants	5,831
Total	<u>\$ 269,014</u>

Note 10. Construction Commitment

The District entered into various contracts for the building improvement project. As of June 30, 2015, costs of \$75,207 had been incurred against the contract. Once the project is completed the costs of the project will be added to the District's capital assets listing.

Note 11. Deficit Unrestricted Net Position

At June 30, 2015, the District had deficit unrestricted net position of \$350,290 in its governmental activities and \$10,949 in its School Nutrition Fund/business type activities.

Note 12. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is a detailed reconciliation of certain governmental fund balances to net position:

	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ 489,040
Income surtax	88,589
Net pension liability	(813,852)
Pension related deferred outflows	185,079
Pension related deferred inflows	(310,380)
Net OPEB asset	11,234
Net position (Exhibit A)	<u>\$ (350,290)</u>

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 2,079,027	\$ 22,944
Net pension liability at June 30, 2014	(1,109,899)	(25,315)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	119,914	2,735
Net position July 1, 2014, as restated	<u>\$ 1,089,042</u>	<u>\$ 364</u>



REQUIRED SUPPLEMENTARY INFORMATION

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,307,582	34,043	1,341,625	1,379,654	1,379,654	(38,029)
State sources	1,672,523	932	1,673,455	1,470,912	1,470,912	202,543
Federal sources	89,500	67,126	156,626	160,000	160,000	(3,374)
Total revenues	<u>3,069,605</u>	<u>102,101</u>	<u>3,171,706</u>	<u>3,010,566</u>	<u>3,010,566</u>	<u>161,140</u>
Expenditures/expenses:						
Instruction	1,679,873	-	1,679,873	2,061,400	2,061,400	381,527
Support services	802,158	-	802,158	961,600	961,600	159,442
Non-instructional programs	-	106,807	106,807	115,000	115,000	8,193
Other expenditures	212,618	-	212,618	299,929	299,929	87,311
Total expenditures/expenses	<u>2,694,649</u>	<u>106,807</u>	<u>2,801,456</u>	<u>3,437,929</u>	<u>3,437,929</u>	<u>636,473</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	374,956	(4,706)	370,250	(427,363)	(427,363)	797,613
Other financing sources, net	-	14,221	14,221	-	-	14,221
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	374,956	9,515	384,471	(427,363)	(427,363)	811,834
Balances beginning of year, as restated	<u>1,243,652</u>	<u>364</u>	<u>1,244,016</u>	<u>699,101</u>	<u>699,101</u>	<u>544,915</u>
Balances end of year	<u>\$ 1,618,608</u>	<u>9,879</u>	<u>1,628,487</u>	<u>271,738</u>	<u>271,738</u>	<u>1,356,749</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.020568%
District's proportionate share of the net pension liability	\$ 832,415
District's covered-employee payroll	\$ 1,342,705
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.00%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 119,904	122,649	112,428	112,800	97,227	97,999	79,253	80,547	75,654	72,420
Contributions in relation to the statutorily required contribution	<u>(119,904)</u>	<u>(122,649)</u>	<u>(112,428)</u>	<u>(112,800)</u>	<u>(97,227)</u>	<u>(97,999)</u>	<u>(79,253)</u>	<u>(80,547)</u>	<u>(75,654)</u>	<u>(72,420)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,342,705	1,373,449	1,296,747	1,397,770	1,398,950	1,410,058	1,248,079	1,331,355	1,315,722	1,259,478
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

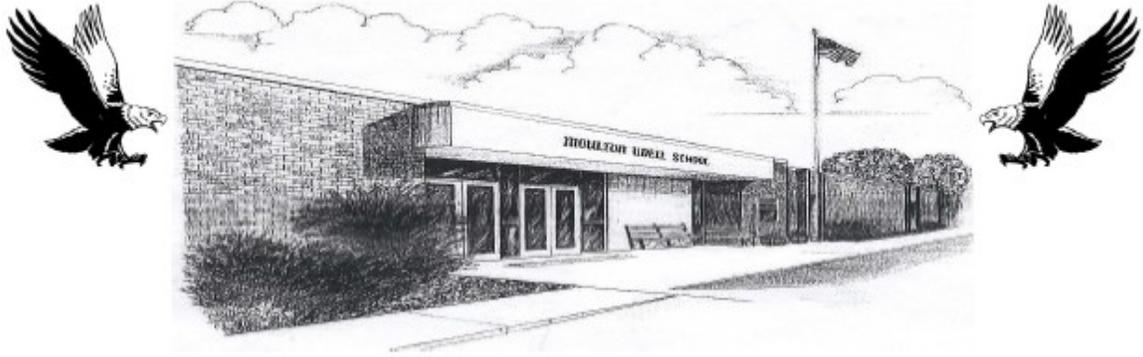
- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2015	July 1, 2012	-	252,000	252,000	0.00	999,184	25.22

See Note 6 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, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and pooled investments	\$ 45,421	133,067	178,488
Receivables:			
Property tax:			
Delinquent	-	2,574	2,574
Total assets	\$ 45,421	135,641	181,062
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,018	-	1,018
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Management levy purposes	-	135,641	135,641
Student activities	44,403	-	44,403
Total fund balances	44,403	135,641	180,044
Total liabilities, deferred inflows of resources and fund balances	\$ 45,421	135,641	181,062

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, 2015

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	101,531	101,531
Other	74,350	2,491	76,841
State sources	-	71	71
Total revenues	<u>74,350</u>	<u>104,093</u>	<u>178,443</u>
Expenditures:			
Current:			
Instruction:			
Other	65,703	-	65,703
Support services:			
Operation and maintenance of plant	-	38,839	38,839
Transportation	-	5,581	5,581
Total expenditures	<u>65,703</u>	<u>44,420</u>	<u>110,123</u>
Change in fund balances	8,647	59,673	68,320
Fund balances beginning of year	<u>35,756</u>	<u>75,968</u>	<u>111,724</u>
Fund balances end of year	<u>\$ 44,403</u>	<u>135,641</u>	<u>180,044</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 656,331	76,392	732,723
Receivables:			
Property tax:			
Delinquent	-	1,513	1,513
Succeeding year	-	61,525	61,525
Due from other governments	34,111	-	34,111
Total assets	\$ 690,442	139,430	829,872
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 69,032	18,805	87,837
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	61,525	61,525
Fund balances:			
Restricted for:			
School infrastructure	621,410	-	621,410
Physical plant and equipment	-	59,100	59,100
Total fund balances	621,410	59,100	680,510
Total liabilities, deferred inflows of resources and fund balances	\$ 690,442	139,430	829,872

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	59,694	59,694
Other	1,891	288	2,179
State sources	218,866	41	218,907
Total revenues	<u>220,757</u>	<u>60,023</u>	<u>280,780</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	2,871	41,988	44,859
Transportation	41,026	-	41,026
Capital outlay	80,188	42,102	122,290
Total expenditures	<u>124,085</u>	<u>84,090</u>	<u>208,175</u>
Change in fund balances	96,672	(24,067)	72,605
Fund balances beginning of year	<u>524,738</u>	<u>83,167</u>	<u>607,905</u>
Fund balances end of year	<u>\$ 621,410</u>	<u>59,100</u>	<u>680,510</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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 754	-	177	-	577
Speech	-	-	32	32	-
Musicals	974	-	844	-	130
Instrumental Music	-	-	521	521	-
Boys Athletics	-	-	9,573	9,573	-
Girls Athletics	-	-	7,748	7,748	-
Athletics	1,291	19,554	803	(17,321)	2,721
Annual	9,988	3,102	3,883	-	9,207
Art Club	1,414	1,017	724	-	1,707
Cheerleaders	720	765	417	-	1,068
Honor Society	25	889	436	-	478
SADD	58	-	-	-	58
FFA	5,443	17,690	14,574	-	8,559
Spanish Club	52	-	-	-	52
Student Council	861	9,232	5,986	(431)	3,676
FFA-IDA Project	2,325	-	-	-	2,325
Interest	-	153	31	(122)	-
Class of 2014	250	-	-	-	250
Class of 2015	5,376	4,869	10,100	-	145
Class of 2016	856	17,079	9,854	-	8,081
Class of 2017	28	-	-	-	28
Class of 2018	58	-	-	-	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>\$ 35,756</u>	<u>74,350</u>	<u>65,703</u>	<u>-</u>	<u>44,403</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Undistributed Scholarships	Sheila Walker	Moulton Locker	Elsie Alberts	Total
Assets					
Cash and pooled investments	\$ 4,892	3,000	400	300	8,592
Liabilities					
	-	-	-	-	-
Net Position					
Held in trust for scholarships	\$ 4,892	3,000	400	300	8,592

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust - Scholarship Fund				
	Undistributed Scholarships	Sheila Walker	Moulton Locker	Elsie Alberts	Total
Additions:					
Local sources:					
Gifts and contributions	\$ -	3,000	-	-	3,000
Interest income	8	-	-	-	8
Total additions	8	3,000	-	-	3,008
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	-	-	-	250	250
Change in net position	8	3,000	-	(250)	2,758
Net position beginning of year	4,884	-	400	550	5,834
Net position end of year	\$ 4,892	3,000	400	300	8,592

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,062,129	1,091,503	1,317,242	1,271,352	1,122,248	1,007,165	1,027,273	968,831	933,417	927,334
Tuition	110,178	153,689	165,592	176,272	179,437	150,638	142,673	167,784	100,334	205,102
Other	135,275	102,823	86,041	108,251	155,791	128,779	181,080	193,357	206,601	152,809
State	1,672,523	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
Federal	89,500	157,637	129,055	94,937	224,131	264,891	131,282	104,709	134,232	138,450
Total	<u>\$ 3,069,605</u>	<u>3,008,059</u>	<u>2,799,752</u>	<u>2,767,549</u>	<u>2,891,355</u>	<u>2,656,878</u>	<u>2,784,648</u>	<u>2,701,332</u>	<u>2,519,976</u>	<u>2,568,485</u>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,101,415	1,168,376	1,092,127	1,037,373	1,023,276	1,050,671	1,016,202	956,850	943,688	939,823
Special	227,709	200,773	207,848	255,677	306,651	264,392	286,102	262,503	225,909	299,365
Other	350,749	399,942	369,938	440,229	410,985	403,997	351,839	375,673	387,990	278,273
Support services:										
Student	71,689	67,705	50,556	50,689	51,788	47,969	42,009	14,557	35,040	26,202
Instructional staff	115,443	109,569	99,015	76,524	99,326	147,623	94,252	87,198	54,901	93,343
Administration	249,209	293,335	266,307	269,668	253,076	310,270	343,651	296,551	327,621	309,408
Operation and maintenance of plant	204,049	232,135	212,454	205,125	215,827	234,517	219,497	214,306	225,573	221,438
Transportation	161,768	132,057	162,471	118,345	148,402	147,701	110,386	161,373	167,167	116,802
Capital outlay	122,290	25,175	14,533	41,789	343,589	196,283	258,195	102,916	90,311	41,460
Long-term debt:										
Principal	-	-	-	-	-	-	-	-	12,792	12,792
Interest	-	-	-	-	-	-	-	-	399	384
Other expenditures:										
AEA flow-through	90,328	83,222	77,435	77,265	88,496	88,522	82,079	80,196	77,328	76,283
Total	<u>\$ 2,694,649</u>	<u>2,712,289</u>	<u>2,552,684</u>	<u>2,572,684</u>	<u>2,941,416</u>	<u>2,891,945</u>	<u>2,804,212</u>	<u>2,552,123</u>	<u>2,548,719</u>	<u>2,415,573</u>

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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

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-15 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-15 through I-C-15 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, 2015 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 28, 2016
Newton, Iowa

MOULTON-UDELL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 utilize staff to maximize segregation of duties with its extremely limited support staff.

Conclusion - Response accepted.

I-B-15 Purchase Orders - We noted during our audit multiple instances of transactions lacking purchase orders dated after ordering of goods/services had already taken place.

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 follow proper purchase order protocol. The District will also review the purchase order process and look to see if changes need to be made to establish a more efficient and effective system.

Conclusion - Response accepted.

I-C-15 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 establish a negative lunch account policy where accounts will not be able to go below a certain amount. The District will also step up efforts to collect debt on old accounts.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the amounts budgeted.

II-B-15 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-15 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-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Welch, Board Member owner of Moulton Locker	Supplies	\$ 1,781

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-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - No variances regarding the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	524,738
Revenues:			
Sales tax revenues	\$	218,866	
Other local revenues		1,891	
		<u> </u>	<u>220,757</u>
			745,495
Expenditures:			
School infrastructure construction		53,244	
Equipment		46,298	
Other		24,543	
		<u> </u>	<u>124,085</u>
Ending balance		\$	<u><u>621,410</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Financial Condition - We noted during our audit that the District had deficit unrestricted net position of \$350,290 in its governmental activities and \$10,949 in its School Nutrition Fund/business type activities. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The Administration will go through the process of informing itself and the Board of how GASB Statements 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.

- II-N-15 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will collect rent monies into the General Fund in the future when hosting district and regional events.

Conclusion - Response accepted.

- II-O-15 Authorized Signatures - We noted during our audit instances of checks written from the Activity Fund which cleared the bank lacking authorized signatures. Chapter 291.1 and 291.8 of the Code of Iowa requires the Board President, or designee, and Board Secretary to sign all checks.

Recommendation - The District should review their procedures to ensure the proper signatures are on all checks (Board President, or Designee, and Board Secretary) before they are sent out, in order to be in compliance with Chapter 291.1 and Chapter 291.8 of the Code of Iowa.

Response - The District will review policies to be more efficient to ensure that all checks have proper signatures before sent out.

Conclusion - Response accepted.

- II-P-15 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted revenues and expenditures which do not appear to be related to cocurricular or extracurricular activities.

Inactive Accounts: We noted the Elementary Activity, High School Activity, and Popcorn Machine accounts that appear to be inactive in the current year and prior years. We also noted an old class account from class of 2014 that still has a balance on the District's books as of June 30, 2015.

Recommendation - The District should investigate the Elementary Activity, High School Activity, and Popcorn Machine accounts to determine if the clubs have been discontinued and should be reallocated, or would be more appropriate to a different fund. The old class account should be reviewed and reallocated to an appropriate account.

Response - The District will close out all unused and inactive activity accounts and disburse funds to appropriate accounts.

Conclusion - Response accepted.