

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		34
Notes to Required Supplementary Information - Budgetary Reporting		35
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38-39
Private Purpose Trust - Scholarships Fund:		
Combining Statement of Fiduciary Net Assets	4	40
Combining Statement of Changes in Fiduciary Net Assets	5	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	42
Schedule of Expenditures of Federal Awards	7	43-44
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>		45-46
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		47-48
Schedule of Findings and Questioned Costs		49-55

Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Mike Frost	President	2008
Jack Parsons	Vice President	2008
Mike Stuck	Board Member	2009
Rose Saxton	Board Member	2009
Igor Takacs	Board Member	2010
Board of Education (After September 2008 Election)		
Mike Frost	President	2011
Jack Parsons	Vice President	2011
Mike Stuck	Board Member	2009
Rose Saxton	Board Member	2009
Igor Takacs	Board Member	2011 *
School Officials		
Tucker Lillis	Superintendent	2009
Becky Wood	District Secretary/Treasurer	2009
Pam DeLong	Business Manager	2009
Ahlers & Cooney	Attorney	2009

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Central Decatur Community School District:

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

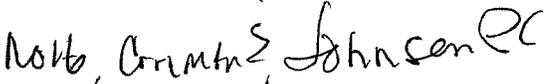
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2010 on our consideration of Central Decatur Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Decatur Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,547,232 in fiscal 2008 to \$6,933,159 in fiscal 2009, while General Fund expenditures increased from \$6,467,693 in fiscal 2008 to \$6,702,553 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$628,846 in fiscal 2008 to a balance of \$859,452 in fiscal 2009, a 36.67% increase over the prior year.
- The increase in General Fund revenues is attributable to an increase in federal sources in fiscal 2009. The increase in expenditures is attributable to increases in negotiated salaries and benefits received by employees. The increase in revenues was more than enough to surpass the increase in expenses during the year, thus ensuring the increase in General Fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Decatur 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 Central Decatur 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 Central Decatur Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

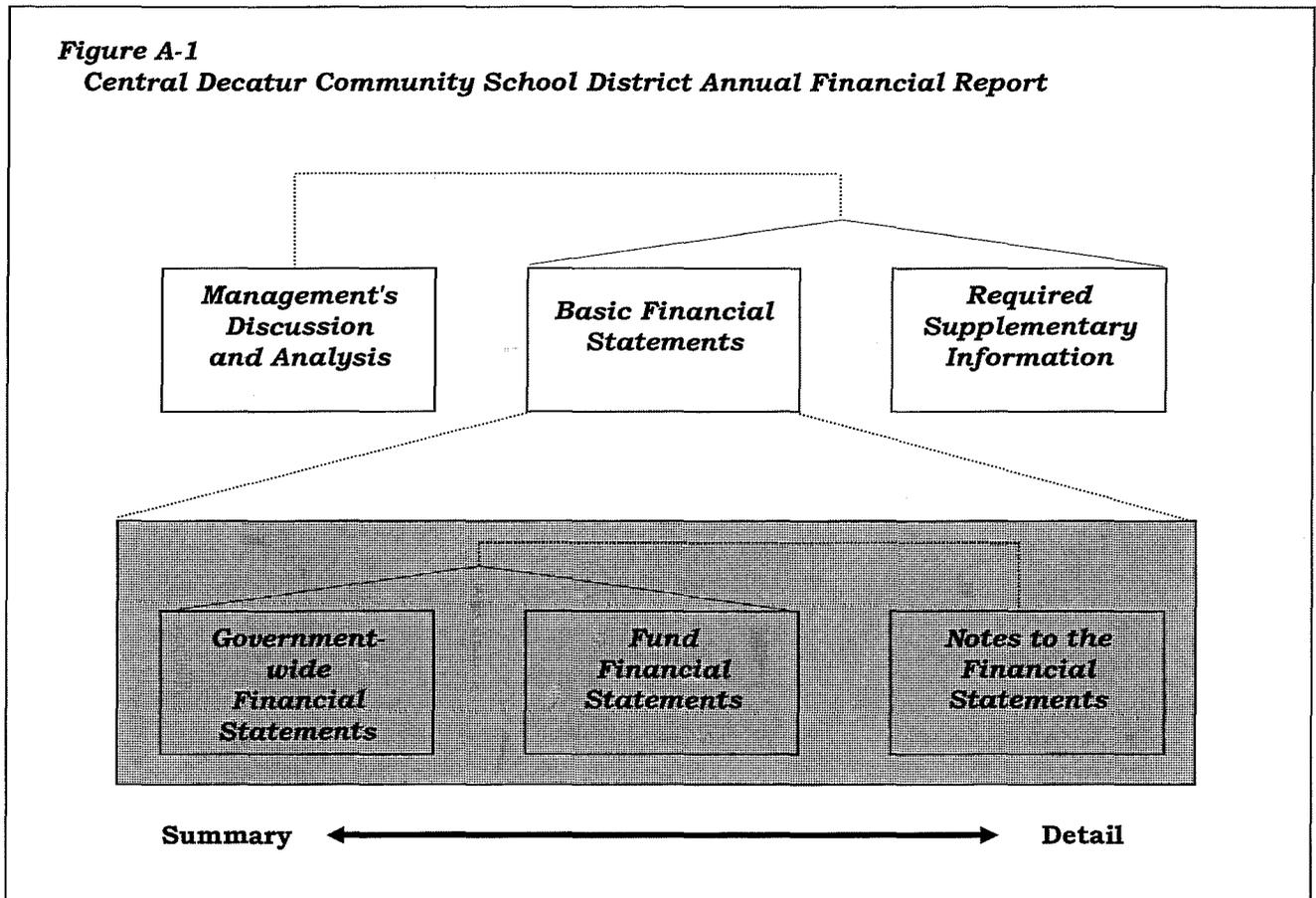


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust fund.

Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,054,068	4,788,597	87,265	36,291	4,141,333	4,824,888	-14.17%
Capital assets	7,012,960	7,140,814	30,316	27,066	7,043,276	7,167,880	-1.74%
Total assets	11,067,028	11,929,411	117,581	63,357	11,184,609	11,992,768	-6.74%
Long-term obligations	2,571,874	2,754,218	0	0	2,571,874	2,754,218	-6.62%
Other liabilities	2,191,316	3,585,616	3,097	2,644	2,194,413	3,588,260	-38.84%
Total liabilities	4,763,190	6,339,834	3,097	2,644	4,766,287	6,342,478	-24.85%
Net assets:							
Invested in capital assets, net of related debt	4,462,960	4,435,814	30,316	27,066	4,493,276	4,462,880	0.68%
Restricted	896,748	653,275	0	0	896,748	653,275	37.27%
Unrestricted	944,130	610,270	84,168	42,600	1,028,298	652,870	57.50%
Total net assets	\$ 6,303,838	5,699,359	114,484	69,666	6,418,322	5,769,025	11.25%

The District's combined net assets increased by 11.25%, or \$649,297, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets are the resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$243,473, or 37.27% over the prior year.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$375,428, or 57.50%.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 530,908	522,519	193,109	192,315	724,017	714,834	1.28%
Operating grants and contributions and restricted interest	1,519,325	1,280,804	245,150	206,463	1,764,475	1,487,267	18.64%
Capital grants and contributions and restricted interest	204,880	5,593	0	0	204,880	5,593	3563.15%
General revenues:							
Local tax	2,116,197	2,118,067	0	0	2,116,197	2,118,067	-0.09%
Statewide sales and services tax	384,177	397,477	0	0	384,177	397,477	-3.35%
Unrestricted state grants	3,189,534	3,253,114	0	0	3,189,534	3,253,114	-1.95%
Other	285,677	200,432	1,178	85	286,855	200,517	43.06%
Total revenues	8,230,698	7,778,006	439,437	398,863	8,670,135	8,176,869	6.03%
Program expenses:							
Governmental activities:							
Instructional	4,834,903	4,633,684	0	0	4,834,903	4,633,684	4.34%
Support services	2,179,396	2,076,179	1,728	3,527	2,181,124	2,079,706	4.88%
Non-instructional programs	586	374	392,891	386,876	393,477	387,250	1.61%
Other expenses	611,334	957,987	0	0	611,334	957,987	-36.19%
Total expenses	7,626,219	7,668,224	394,619	390,403	8,020,838	8,058,627	-0.47%
Changes in net assets	604,479	109,782	44,818	8,460	649,297	118,242	449.13%
Beginning net assets	5,699,359	5,589,577	69,666	61,206	5,769,025	5,650,783	2.09%
Ending net assets	\$ 6,303,838	5,699,359	114,484	69,666	6,418,322	5,769,025	11.25%

Local tax and unrestricted state grants account for 61.20% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87.47% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues was due to the decrease in other revenue and an increase in charges for services.

The most significant fluctuation in expenditure levels will be caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements. With a declining enrollment comes lesser ability to fund various programs required by the state and constant evaluation of staffing needs becomes a priority. Even with certain staff reductions there may still be an increase in expenditures due to the salary and benefit requirements. The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other

programs. Overall, the District saw an increase in revenues and a decrease in expenditures in fiscal 2009. The District's revenues exceeded expenditures during the year resulting in an increase in the financial position for the year.

Governmental Activities

Revenues for governmental activities were \$8,230,698 and expenses were \$7,626,219. In a difficult budget year, the District adopted one budget amendment adjusting budget expenditures

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,834,903	4,633,684	4.34%	3,038,589	3,076,075	-1.22%
Support services	2,179,396	2,076,179	4.97%	2,178,965	2,076,129	4.95%
Non-instructional programs	586	374	56.68%	586	374	56.68%
Other expenses	611,334	957,987	-36.19%	152,966	706,730	-78.36%
Totals	\$ 7,626,219	7,668,224	-0.55%	5,371,106	5,859,308	-8.33%

- The cost financed by users of the District's programs was \$530,908.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,724,205.
- The net cost of governmental activities was financed with \$2,116,197 in local tax, \$384,177 in statewide sales and services tax, \$3,189,534 in unrestricted state grants, \$25,728 in interest income and \$259,949 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$439,437 and expenses were \$394,619. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Decatur 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 balance of \$1,708,399, over last year's ending fund balances of a \$1,156,184.

Governmental Fund Highlights

- The General Fund balance increased from \$628,846 in fiscal 2008 to \$859,452 in fiscal 2009. The increase was due primarily to an increase in local tax and federal revenues during the year.
- The Capital Projects Fund balance increased from \$234,032 in fiscal 2008 to \$572,051 in fiscal 2009. The Capital Projects Fund received an \$184,201 in a federal grant for school

infrastructure projects. The decrease in facilities acquisitions expenditures by \$471,275 or 68.19% also helped increase the fund balance.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$69,666 at June 30, 2008 to \$114,484 at June 30, 2009, representing an increase of 64.33%. The District received an increase of \$39,841 in state and federal revenue sources in fiscal 2009.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$269,147 more than budgeted revenues, a variance of 3.20%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Initially, total expenditures were less than budgeted, 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. During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted by \$1,740.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$7,043,276, 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-5) This amount represents a net decrease of 1.74% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$368,765.

The original cost of the District’s capital assets was \$11,753,649. Governmental funds account for \$11,518,747 with the remainder of \$234,902 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District’s machinery and equipment totaled \$562,505 at June 30, 2009, compared to \$714,947 reported at June 30, 2008. This represents a 21.32% decrease. The District had an appraisal company evaluate the value of the machinery and equipment for the fiscal 2009 year and the lower appraisal values resulted in the decrease in this area.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 29,300	29,300	0	0	29,300	29,300	0.00%
Buildings	6,405,060	6,373,664	0	0	6,405,060	6,373,664	0.49%
Land improvements	46,411	49,969	0	0	46,411	49,969	-7.12%
Machinery and equipment	532,189	687,881	30,316	27,066	562,505	714,947	-21.32%
Total	\$ 7,012,960	7,140,814	30,316	27,066	7,043,276	7,167,880	-1.74%

Long-Term Debt

At June 30, 2009, the District had \$2,571,874 in general obligation and other long-term debt outstanding. This represents a decrease of 6.62% from last year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$2,550,000 at June 30, 2009.

The District had total outstanding Early Retirement payable of \$21,874 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,550,000	2,705,000	-5.73%
Early Retirement	21,874	49,218	-55.56%
Totals	<u>\$ 2,571,874</u>	<u>2,754,218</u>	<u>-6.62%</u>

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:
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Pam DeLong, Business Manager, Central Decatur Community School District, 1201 NE Poplar Street, Leon, Iowa, 50144.

BASIC FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,239,976	62,588	1,302,564
Receivables:			
Property tax:			
Delinquent	41,317	0	41,317
Succeeding year	2,011,409	0	2,011,409
Income surtax	164,676	0	164,676
Accounts	1,158	315	1,473
Due from other governments	595,532	2,137	597,669
Inventories	0	22,225	22,225
Capital assets, net of accumulated depreciation	7,012,960	30,316	7,043,276
TOTAL ASSETS	11,067,028	117,581	11,184,609
LIABILITIES			
Accounts payable	148,379	0	148,379
Salaries and benefits payable	16	0	16
Accrued interest payable	10,323	0	10,323
Deferred revenue:			
Succeeding year property tax	2,011,409	0	2,011,409
Other	21,189	0	21,189
Unearned revenues	0	3,097	3,097
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	0	160,000
Early retirement payable	10,937	0	10,937
Portion due after one year:			
General obligation bonds payable	2,390,000	0	2,390,000
Early retirement payable	10,937	0	10,937
TOTAL LIABILITIES	4,763,190	3,097	4,766,287
NET ASSETS			
Invested in capital assets, net of related debt	4,462,960	30,316	4,493,276
Restricted for:			
Categorical funding	69,675		
Management levy	2,748	0	2,748
Physical plant and equipment levy	37,088	0	37,088
Capital projects	572,051	0	572,051
Debt service	12,689	0	12,689
Other special revenue purposes	202,497	0	202,497
Unrestricted	944,130	84,168	1,097,973
TOTAL NET ASSETS	\$ 6,303,838	114,484	6,418,322

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Services		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Interest	Interest				
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,690,490	239,395	994,963	0	(2,456,132)	0	(2,456,132)
Special	401,003	112,183	254,712	0	(34,108)	0	(34,108)
Other	743,410	178,899	16,162	0	(548,349)	0	(548,349)
	<u>4,834,903</u>	<u>530,477</u>	<u>1,265,837</u>	<u>0</u>	<u>(3,038,589)</u>	<u>0</u>	<u>(3,038,589)</u>
Support services:							
Student	131,405	0	0	0	(131,405)	0	(131,405)
Instructional staff	314,730	0	0	0	(314,730)	0	(314,730)
Administration	746,246	0	0	0	(746,246)	0	(746,246)
Operation and maintenance of plant	572,399	0	0	0	(572,399)	0	(572,399)
Transportation	414,616	431	0	0	(414,185)	0	(414,185)
	<u>2,179,396</u>	<u>431</u>	<u>0</u>	<u>0</u>	<u>(2,178,965)</u>	<u>0</u>	<u>(2,178,965)</u>
Non-instructional programs	586	0	0	0	(586)	0	(586)
Other expenditures:							
Facilities and acquisitions	37,458	0	0	204,880	167,422	0	167,422
Long-term debt interest	130,313	0	0	0	(130,313)	0	(130,313)
AEA flowthrough	253,488	0	253,488	0	0	0	0
Depreciation(unallocated)*	190,075	0	0	0	(190,075)	0	(190,075)
	<u>611,334</u>	<u>0</u>	<u>253,488</u>	<u>204,880</u>	<u>(152,966)</u>	<u>0</u>	<u>(152,966)</u>
Total governmental activities	7,626,219	530,908	1,519,325	204,880	(5,371,106)	0	(5,371,106)
Business Type activities:							
Support services:							
Administration	202	0	0	0	0	(202)	(202)
Operation and maintenance of plant	1,526	0	0	0	0	(1,526)	(1,526)
	<u>1,728</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,728)</u>	<u>(1,728)</u>
Non-instructional programs:							
Nutrition services	392,891	193,109	245,150	0	0	45,368	45,368
Total business type activities	<u>394,619</u>	<u>193,109</u>	<u>245,150</u>	<u>0</u>	<u>0</u>	<u>43,640</u>	<u>43,640</u>
Total	\$ 8,020,838	724,017	1,764,475	204,880	(5,371,106)	43,640	(5,327,466)
General Revenues:							
Local tax for:							
General purposes					\$ 1,807,939	0	1,807,939
Debt Service					271,769	0	271,769
Capital outlay					36,489	0	36,489
Statewide sales and services tax					384,177	0	384,177
Unrestricted state grants					3,189,534	0	3,189,534
Unrestricted investment earnings					25,728	59	25,787
Other					259,949	1,119	261,068
Total general revenues					<u>5,975,585</u>	<u>1,178</u>	<u>5,976,763</u>
Changes in net assets					604,479	44,818	649,297
Net assets beginning of year					5,699,359	69,666	5,769,025
Net assets end of year					<u>\$ 6,303,838</u>	<u>114,484</u>	<u>6,418,322</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:	\$ 703,506	350,000	186,470	1,239,976
Receivables:				
Property tax:				
Delinquent	31,994	0	9,323	41,317
Succeeding year	1,573,145	0	438,264	2,011,409
Income surtax	164,676	0	0	164,676
Interfund	(82,195)	0	82,195	0
Accounts	1,158	0	0	1,158
Due from other governments	265,763	327,701	2,068	595,532
TOTAL ASSETS	\$ 2,658,047	677,701	718,320	4,054,068
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 39,569	105,650	3,160	148,379
Salaries and benefits payable	16	0	0	16
Deferred revenue:				
Succeeding year property tax	1,573,145	0	438,264	2,011,409
Income surtax	164,676	0	0	164,676
Other	21,189	0	0	21,189
Total liabilities	1,798,595	105,650	441,424	2,345,669
Fund balances:				
Reserved for:				
Debt service	0	0	12,689	12,689
Categorical funding	69,675	0	0	69,675
Unreserved:				
Designated by the board for special purposes	0	0	500	500
Undesignated	789,777	572,051	263,707	1,625,535
Total fund balances	859,452	572,051	276,896	1,708,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,658,047	677,701	718,320	4,054,068

SEE NOTES TO FINANCIAL STATEMENTS

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

Total fund balances of governmental funds (page 15)	\$ 1,708,399
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,012,960
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	164,676
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,323)
Long-term liabilities, including early retirement payable and general obligation bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,571,874)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 6,303,838</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,680,653	384,177	438,319	2,503,149
Tuition	335,722	0	0	335,722
Other	215,306	3,519	278,200	497,025
State sources	4,121,887	0	355	4,122,242
Federal sources	570,455	184,201	20,679	775,335
Total revenues	<u>6,924,023</u>	<u>571,897</u>	<u>737,553</u>	<u>8,233,473</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,557,415	0	26,954	3,584,369
Special	401,003	0	0	401,003
Other	478,642	0	264,768	743,410
	<u>4,437,060</u>	<u>0</u>	<u>291,722</u>	<u>4,728,782</u>
Support services:				
Student	131,405	0	0	131,405
Instructional staff	293,394	0	19,264	312,658
Administration	719,479	0	18,547	738,026
Operation and maintenance of plant	468,790	0	103,609	572,399
Transportation	398,351	0	13,466	411,817
	<u>2,011,419</u>	<u>0</u>	<u>154,886</u>	<u>2,166,305</u>
Non-instructional programs	586	0	0	586
Other expenditures:				
Facilities acquisitions	0	219,878	35,493	255,371
Long-term debt:				
Principal	0	0	155,000	155,000
Interest and fiscal charges	0	0	130,862	130,862
AEA flowthrough	253,488	0	0	253,488
	<u>253,488</u>	<u>219,878</u>	<u>321,355</u>	<u>794,721</u>
Total expenditures	<u>6,702,553</u>	<u>219,878</u>	<u>767,963</u>	<u>7,690,394</u>
Excess(deficiency) of revenues over(under) expenditures	221,470	352,019	(30,410)	543,079
Other financing sources(uses):				
Transfer in	0	0	14,000	14,000
Transfer out	0	(14,000)	0	(14,000)
Sale of equipment	9,136	0	0	9,136
Total other financing sources(uses)	<u>9,136</u>	<u>(14,000)</u>	<u>14,000</u>	<u>9,136</u>
Net change in fund balances	230,606	338,019	(16,410)	552,215
Fund balance beginning of year	628,846	234,032	293,306	1,156,184
Fund balance end of year	<u>\$ 859,452</u>	<u>572,051</u>	<u>276,896</u>	<u>1,708,399</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds (page 17) \$ 552,215

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

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

Capital outlays	\$ 363,760	
Depreciation expense	(366,614)	
Loss on disposal of capital assets	(125,000)	(127,854)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets 155,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (2,775)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 549

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.
 Early retirement 27,344

Changes in net assets of governmental activities (page 14) \$ 604,479

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2009

	School Nutrition
ASSETS	
Cash and pooled investments	\$ 62,588
Receivables:	
Accounts	315
Due from other governments	2,137
Inventories	22,225
Capital assets, net of accumulated depreciation	30,316
TOTAL ASSETS	117,581
LIABILITIES	
Unearned revenue	3,097
TOTAL LIABILITIES	3,097
NET ASSETS	
Invested in capital assets	30,316
Unrestricted	84,168
TOTAL NET ASSETS	\$ 114,484

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 193,109
Other local revenue	1,119
Total operating revenues	194,228
Operating expenses:	
Support services:	
Administration:	
Services	202
Operation and maintenance of plant:	
Services	1,526
	1,728
Non-instructional programs:	
Food service operations:	
Salaries	139,987
Benefits	68,181
Services	732
Supplies	181,282
Other	558
Depreciation	2,151
	392,891
Total operating expenses	394,619
Operating loss	(200,391)
Non-operating revenues:	
State sources	6,298
Federal sources	238,852
Interest income	59
Total non-operating revenues	245,209
Change in net assets	44,818
Net assets beginning of year	69,666
Net assets end of year	\$ 114,484

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 194,492
Cash received from miscellaneous	1,119
Cash payments to employees for services	(208,168)
Cash payments to suppliers for goods or services	(162,018)
Net cash used in operating activities	(174,575)
Cash flows from non-capital financing activities:	
State grants received	6,298
Federal grants received	209,345
Net cash provided by non-capital financing activities	215,643
Cash flows from capital and related financing:	
Acquisition of Assets	(5,401)
Cash flows from investing activities:	
Interest on investments	59
Net increase in cash and cash equivalents	35,726
Cash and cash equivalents at beginning of year	26,862
Cash and cash equivalents at end of year	\$ 62,588
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (200,391)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,370
Depreciation	2,151
Increase in inventories	(5,088)
Decrease in accounts receivable	930
Increase in unearned revenue	453
Net cash used in operating activities	\$ (174,575)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 62,588

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$27,370.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 81,380
NET ASSETS	
Reserved for scholarships	81,380
TOTAL NET ASSETS	<u>\$ 81,380</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 3,251
Donations	1,767
Total additions	5,018
Deductions:	
Instructional programs:	
Scholarships awarded	5,797
Change in net assets	(779)
Net assets beginning of year	82,159
Net assets end of year	\$ 81,380

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Central Decatur 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 City of Leon, Iowa, and the predominate agricultural territory in Decatur County. 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, Central Decatur 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 Central Decatur 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 Decatur County Assessors' Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt 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 assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Diversified Portfolio

Amortized Cost
\$ 96,349

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service Fund	Capital Projects	<u>\$ 14,000</u>

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

The Capital Projects Fund transferred monies to the Debt Service Fund for debt relief.

(4) Due From and Due to Other Funds

At June 30, 2009 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Special Revenue: Support Trust Fund	General Fund	<u>\$ 82,195</u>

The Special Revenue: Support Trust Fund loaned monies to the General Fund for the purchase of a bus in past years. The balance will be repaid by June 30, 2010.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	0	0	29,300
Total capital assets not being depreciated	<u>29,300</u>	<u>0</u>	<u>0</u>	<u>29,300</u>
Capital assets being depreciated:				
Buildings	8,844,715	217,913	0	9,062,628
Land improvements	236,842	0	0	236,842
Machinery and equipment	2,459,761	145,847	415,631	2,189,977
Total capital assets being depreciated	<u>11,541,318</u>	<u>363,760</u>	<u>415,631</u>	<u>11,489,447</u>
Less accumulated depreciation for:				
Buildings	2,471,051	186,517	0	2,657,568
Land improvements	186,873	3,558	0	190,431
Machinery and equipment	1,771,880	176,539	290,631	1,657,788
Total accumulated depreciation	<u>4,429,804</u>	<u>366,614</u>	<u>290,631</u>	<u>4,505,787</u>
Total capital assets being depreciated, net	<u>7,111,514</u>	<u>(2,854)</u>	<u>125,000</u>	<u>6,983,660</u>
Governmental activities capital assets, net	<u>\$ 7,140,814</u>	<u>(2,854)</u>	<u>125,000</u>	<u>7,012,960</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 229,501	5,401	0	234,902
Less accumulated depreciation	202,435	2,151	0	204,586
Business type activities capital assets, net	<u>\$ 27,066</u>	<u>3,250</u>	<u>0</u>	<u>30,316</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 84,520
Support services:		
Student		2,072
Administration		15,976
Transportation		73,971
		<u>176,539</u>
Unallocated depreciation		<u>190,075</u>
Total governmental activities depreciation expense		<u>\$ 366,614</u>
Business type activities:		
Food services		<u>\$ 2,151</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,705,000	0	155,000	2,550,000	160,000
Early Retirement	49,218	0	27,344	21,874	10,937
Total	<u>\$ 2,754,218</u>	<u>0</u>	<u>182,344</u>	<u>2,571,874</u>	<u>170,937</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonds, which will be paid using Debt Service Funds, are as follows:

Year Ending June 30,	Bond Issue dated August 1, 2001			
	Interest Rates	Principal	Interest	Total
2010	4.35 %	\$ 160,000	123,875	283,875
2011	4.45	165,000	116,915	281,915
2012	4.60	175,000	109,573	284,573
2013	4.70	185,000	101,523	286,523
2014	4.80	195,000	92,827	287,827
2015-2019	4.85-5.00	1,130,000	311,068	1,441,068
2020-2021	5.00-5.10	540,000	41,300	581,300
Total		<u>\$ 2,550,000</u>	<u>897,081</u>	<u>3,447,081</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$5,080 per year with a maximum of five years or until the employee reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2009, totaled \$27,344. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

State Aid Workout Plan

Due to discrepancies in the certified enrollment count as of the year ended June 30, 2005, the District has a workout plan to reimburse the state for overpayments received by the District. District's state aid was reduced by \$32,775 for 2009. As of the year ended June 30, 2009, the District had no remaining balance to be taken from state aid payments.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$254,622, \$232,040, and \$215,610, respectively, equal to the required contributions for each year.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$253,488 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the other expenditures functional area were exceeded by \$1,740.

(11) Categorical Funding

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

Project	Amount
Home school assistance program	\$ 8,037
Talented and gifted	37,923
Alternative school-SBRC	13,028
Professional development for model core curriculum	10,687
	<u>\$ 69,675</u>

(12) Other Postemployment Benefits (OPEB)

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,335,896	194,287	3,530,183	3,588,076	3,588,076	(57,893)
State sources	4,122,242	6,298	4,128,540	4,285,687	4,285,687	(157,147)
Federal sources	775,335	238,852	1,014,187	530,000	530,000	484,187
Total revenues	<u>8,233,473</u>	<u>439,437</u>	<u>8,672,910</u>	<u>8,403,763</u>	<u>8,403,763</u>	<u>269,147</u>
Expenditures/expenses:						
Instruction	4,728,782	0	4,728,782	5,514,893	5,564,893	836,111
Support	2,166,305	1,728	2,168,033	2,344,489	2,644,489	476,456
Non-instructional	586	392,891	393,477	498,056	448,056	54,579
Other expenditures	794,721	0	794,721	1,092,981	792,981	(1,740)
Total expenditures/expenses	<u>7,690,394</u>	<u>394,619</u>	<u>8,085,013</u>	<u>9,450,419</u>	<u>9,450,419</u>	<u>1,365,406</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	543,079	44,818	587,897	(1,046,656)	(1,046,656)	1,634,553
Other financing sources, net	9,136	0	9,136	2,000	2,000	7,136
Excess(deficiency) of revenues over(under) expenditures/expenses	552,215	44,818	597,033	(1,044,656)	(1,044,656)	1,641,689
Balance beginning of year	1,156,184	69,666	1,225,850	1,390,717	1,390,717	(164,867)
Balance end of year	<u>\$ 1,708,399</u>	<u>114,484</u>	<u>1,822,883</u>	<u>346,061</u>	<u>346,061</u>	<u>1,476,822</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

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

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted by \$1,740.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds						Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 76,712	25,015	34,244	43,590	179,561	6,909	186,470
Receivables:							
Property tax:							
Current year delinquent	0	2,767	776	0	3,543	5,780	9,323
Succeeding year	0	130,000	37,989	0	167,989	270,275	438,264
Interfund	0	0	0	82,195	82,195	0	82,195
Due from other governments	0	0	2,068	0	2,068	0	2,068
TOTAL ASSETS	\$ 76,712	157,782	75,077	125,785	435,356	282,964	718,320
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 0	3,160	0	0	3,160	0	3,160
Deferred revenue:							
Succeeding year property tax	0	130,000	37,989	0	167,989	270,275	438,264
Total liabilities	0	133,160	37,989	0	171,149	270,275	441,424
Fund balances:							
Reserved for:							
Debt service	0	0	0	0	0	12,689	12,689
Unreserved:							
Designated by the board for special purposes	0	0	500	0	500	0	500
Undesignated	76,712	24,622	36,588	125,785	263,707	0	263,707
Total fund balances	76,712	24,622	37,088	125,785	264,207	12,689	276,896
TOTAL LIABILITIES AND FUND BALANCES	\$ 76,712	157,782	74,577	125,785	435,356	282,964	718,320

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Special Revenue Funds						Total
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds	Debt Service	Total Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 0	130,060	36,490	0	166,550	271,769	438,319
Other	263,971	12,838	29	795	277,633	567	278,200
State sources	0	105	30	0	135	220	355
Federal sources	0	0	20,679	0	20,679	0	20,679
TOTAL REVENUES	263,971	143,003	57,228	795	464,997	272,556	737,553
EXPENDITURES:							
Current:							
Instruction:							
Regular	0	26,954	0	0	26,954	0	26,954
Other	264,768	0	0	0	264,768	0	264,768
Support services:							
Instructional staff	0	0	19,264	0	19,264	0	19,264
Administration	0	18,547	0	0	18,547	0	18,547
Operation and maintenance of plant	0	102,899	710	0	103,609	0	103,609
Student transportation	0	13,466	0	0	13,466	0	13,466
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	155,000	155,000
Interest and fiscal charges	0	0	0	0	0	130,862	130,862
Facilities acquisitions	0	0	35,493	0	35,493	0	35,493
TOTAL EXPENDITURES	264,768	161,866	55,467	0	482,101	285,862	767,963
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(797)	(18,863)	1,761	795	(17,104)	(13,306)	(30,410)
OTHER FINANCING SOURCES:							
Transfer in	0	0	0	0	0	14,000	14,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(797)	(18,863)	1,761	795	(17,104)	694	(16,410)
FUND BALANCE BEGINNING OF YEAR	77,509	43,485	35,327	124,990	281,311	11,995	293,306
FUND BALANCE END OF YEAR	\$ 76,712	24,622	37,088	125,785	264,207	12,689	276,896

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics:				
Basketball	\$ 10,874	8,006	10,416	8,464
Track	0	2,882	2,882	0
Cross Country	0	42	42	0
Golf	0	513	513	0
Football	2,092	8,444	10,536	0
Baseball and Fundraiser	181	7,542	7,684	39
Wrestling	0	4,013	3,835	178
Volleyball	1,492	3,293	3,361	1,424
Softball and Fundraiser	1,299	4,690	5,505	484
Girls Bowling	108	0	0	108
General Athletics	2,708	2,168	4,403	473
Girls Basketball Camp	1,208	13,920	11,186	3,942
Boys Basketball Camp	531	2,098	2,509	120
Football Camp	1,004	16,261	14,439	2,826
	<u>21,497</u>	<u>73,872</u>	<u>49,177</u>	<u>18,058</u>
Athletic Support:				
Cheerleaders	218	136	354	0
Drill Team	257	521	525	253
	<u>475</u>	<u>657</u>	<u>879</u>	<u>253</u>
Clubs:				
Timber	783	0	0	783
Little Red Birds Preschool	196	5,218	4,325	1,089
Central Decatur PTO	170	0	90	80
Cardinal Athletics	578	562	0	1,140
International Club	906	355	12	1,249
Student Resale	0	13,932	13,932	0
TSA Club	1,312	13,362	13,854	820
Drama/Play Club	4,469	2,429	2,333	4,565
Spanish Club	131	210	319	22
Speech Club	0	282	282	0
Variety Show	934	0	934	0
National Honor Society	2,882	554	275	3,161
SADD	750	452	337	865
Academic Bowl	0	189	189	0
Weight Club	492	5,339	5,831	0
MOB	178	2,695	2,780	93
Music Boosters	1,449	1,347	2,092	704
Go Ape	2,126	6,128	6,105	2,149
	<u>17,356</u>	<u>53,054</u>	<u>53,690</u>	<u>16,720</u>
Graduation Classes:				
Class of 2009	3,839	0	3,839	0
Class of 2010	785	7,142	5,597	2,330
Class of 2011	168	265	0	433
Class of 2012	0	1,416	1,215	201
Class of 2013	0	10,884	10,884	0
	<u>4,792</u>	<u>19,707</u>	<u>21,535</u>	<u>2,964</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
Vocational Groups:				
FFA	2,769	55,094	54,661	3,202
FCCLA	228	1,918	2,019	127
	<u>2,997</u>	<u>57,012</u>	<u>56,680</u>	<u>3,329</u>
Yearbook:				
Annual	6,108	6,881	7,213	5,776
Student Councils:				
HS Student Council	177	1,779	1,543	413
MS Student Council	236	25	169	92
	<u>413</u>	<u>1,804</u>	<u>1,712</u>	<u>505</u>
JR/SR Awards:				
Awards	874	1,864	2,728	10
Middle School Fund Raiser	1,198	9,378	9,493	1,083
	<u>2,072</u>	<u>11,242</u>	<u>12,221</u>	<u>1,093</u>
Elementary:				
Elementary Field Trip	18	0	0	18
Band/Chorus/Art:				
Art Trip	221	468	689	0
Music Trip	14,617	22,379	14,496	22,500
Instrumental Music	0	204	204	0
Vocal Music	0	513	513	0
Elem Music Fund Raiser	510	2,507	2,405	612
	<u>15,348</u>	<u>26,071</u>	<u>18,307</u>	<u>23,112</u>
Miscellaneous Accounts:				
Juice	1,000	0	512	488
Pepsi	1,070	396	486	980
Mountain Dew	1,351	380	900	831
All Sport	417	44	461	0
TE Workroom Pop	1,369	819	549	1,639
Pepsi-Café	0	1,135	600	535
Fall Concessions	0	7,811	7,811	0
Winter Concessions	100	8,861	8,858	103
Summer Concessions	1,126	3,143	3,961	308
	<u>6,433</u>	<u>22,589</u>	<u>24,138</u>	<u>4,884</u>
Total	<u>\$ 77,509</u>	<u>263,971</u>	<u>264,768</u>	<u>76,712</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2009

		Private Purpose Trust - Scholarship Fund										
		Bob Lynch	J Bennett	B Logsdon	Johnston	Mcalwee	Hansel and General	Miles Horn	Mc Morris	L Carter Nursing	Anita Leeper	Total
		Scholarship	Scholarship	Scholarship	Memorial	Memorial	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Total
ASSETS												
Cash and pooled investments	\$	500	1,698	6,267	5,657	10,298	1,450	2,987	51,302	751	470	81,380
LIABILITIES												
		0	0	0	0	0	0	0	0	0	0	0
NET ASSETS												
Reserved for scholarships	\$	500	1,698	6,267	5,657	10,298	1,450	2,987	51,302	751	470	81,380

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Private Purpose Trust - Scholarship Fund										Total
	Bob Lynch Scholarship	J Bennett Scholarship	B Logsdon Scholarship	Johnston Memorial	Mcalwee Memorial	Hansel and General Scholarship	Miles Horn Scholarship	Mc Morris Scholarship	L Carter Nursing Scholarship	Anita Leeper Scholarship	
Additions:											
Local sources:											
Interest	\$ 0	33	114	106	454	1,450	124	970	0	0	3,251
Donations	0	0	0	0	0	0	0	0	0	1,767	1,767
Total additions	0	33	114	106	454	1,450	124	970	0	1,767	5,018
Deductions:											
Instruction programs:											
Scholarships awarded	100	100	100	250	500	1,200	150	2,000	100	1,297	5,797
Changes in net assets	(100)	(67)	14	(144)	(46)	250	(26)	(1,030)	(100)	470	(779)
Net assets beginning of year	600	1,765	6,253	5,801	10,344	1,200	3,013	52,332	851	0	82,159
Net assets end of year	\$ 500	1,698	6,267	5,657	10,298	1,450	2,987	51,302	751	470	81,380

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,503,149	2,348,093	1,825,892	2,274,413	2,215,502	2,128,583
Tuition	335,722	287,073	205,594	157,034	211,635	250,447
Other	497,025	435,878	977,751	404,421	292,025	366,257
Intermediate sources	0	0	0	0	3,500	9,534
State sources	4,122,242	4,184,634	4,012,375	3,881,688	3,824,180	3,711,395
Federal sources	775,335	354,877	350,165	366,308	990,892	1,022,247
Total	<u>\$ 8,233,473</u>	<u>7,610,555</u>	<u>7,371,777</u>	<u>7,083,864</u>	<u>7,537,734</u>	<u>7,488,463</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,584,369	2,116,372	2,080,081	2,111,738	2,011,434	1,861,672
Special	401,003	1,361,384	1,373,325	1,375,313	1,183,551	1,701,382
Other	743,410	1,118,937	1,155,003	1,097,039	1,010,720	587,880
Support services:						
Student	131,405	128,839	137,913	137,510	185,335	156,971
Instructional staff	312,658	245,886	210,221	176,916	148,074	112,165
Administration	738,026	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant	572,399	590,346	545,868	570,804	500,877	442,197
Transportation	411,817	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	586	374	0	24,190	355,901	443,482
Other expenditures:						
Facilities acquisitions	255,371	741,155	68,395	146,308	443,849	782,391
Long-term debt:						
Principal	155,000	145,000	140,000	135,000	130,000	125,000
Interest	130,862	137,025	142,975	148,712	154,238	159,450
AEA flow-through	253,488	245,664	239,906	232,901	226,161	229,347
Total	<u>\$ 7,690,394</u>	<u>7,925,384</u>	<u>7,214,489</u>	<u>7,192,175</u>	<u>7,414,601</u>	<u>7,611,947</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 57,788
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	177,007
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	4,057
			<u>238,852</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1093-G	191,247
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1093-G-C	3,553
TITLE I LEA GRANTS, RECOVERY ACT	84.389	FY 09	23,915
			<u>218,715</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	3,827
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 09	19,289
LITERACY THROUGH SCHOOL LIBRARIES	84.364A	FY 09	135,768
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	52,607
ARRA - STATE FISCAL STABILIZATION FUND- EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	57,403
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 09	4,375
GREEN VALLEY AREA EDUCATION AGENCY 14: SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	38,723
ENCHANCING EDUCATION THROUGH TECHNOLOGY GRANTS (E2T2)	84.318	FY 09	1,000
			<u>39,723</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF EDUCATION (CONTINUED):			
BEDFORD COMMUNITY SCHOOL DISTRICT:			
VOCATIONAL EDUCATION - BASIC GRANTS			
TO STATES	84.048	FY 09	<u>11,740</u>
DEPARTMENT OF HOMELAND SECURITY:			
PUBLIC ASSISTANCE GRANT (FEMA DISASTER			
ASSISTANCE)	97.036	FY 09	<u>204,880</u>
TOTAL			<u>\$ 987,179</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Decatur Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from

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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
Central Decatur Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Decatur Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Central Decatur Community School District's financial statements that is more than inconsequential will not be prevented or detected by Central Decatur Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

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

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

February 12, 2010

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Central Decatur Community School District

Compliance

We have audited the compliance of Central Decatur Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Central Decatur Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Central Decatur Community School District's management. Our responsibility is to express an opinion on Central Decatur Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Decatur Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Decatur Community School District's compliance with those requirements.

In our opinion, Central Decatur Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Central Decatur Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Central Decatur Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Decatur Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2010

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Report

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I LEA Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Decatur Community School District did not qualify as a low-risk auditee.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

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

Response - We will investigate available alternatives and implement them as soon as possible.

Conclusion - Response accepted.

CONTROL DEFICIENCIES:

II-B-09 Board Policies - We noted during our audit, that the District hasn't implemented a cell phone policy. The policy should address the issues and requirements for employees who utilize District owned cell phones or receive a dollar allowance for their personal cell phones.

We noted also, during our audit the District's board policy on employee's travel reimbursement rate did not match the rate being paid. Even though the rate change was approved by the Board, there was no update to the policy.

Recommendation - The District should review their procedures in place and update or implement the necessary policies.

Response - The policies noted above have been put in place and updated at our December 2009 Board meeting.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
CFDA Number 84.389 - Title I LEA Grant, Recovery Act
CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund - Education State Grants,
Recovery Act
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

Response - The District is aware of the lack complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will review the budget and make the necessary additional budget amendments.

Conclusion - Response accepted.

IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Frost, Board President Owner of Leon NAPA Auto Parts	Auto Parts	\$2,887
Dan Christensen, Teacher Owns Christensen Mowing	Purchased Service	\$15,560

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Dan Christensen does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mike Frost, does appear to represent a conflict of interest. The District paid Mike Frost who is the Owner of Leon NAPA Auto Parts, the amount of \$2,887.

Recommendation - The District should consult legal counsel to determine if the transactions with Mike Frost represent a conflict of interest to the District.

Response - The District will endeavor to monitor the expenditures to Leon NAPA and keep it under the amount allowed by law.

Conclusion - Response accepted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2008 was understated by .3 students. Line 10 was understated by .6 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - It is the District understanding that the Department of Management and Department of Education will be notified by the auditors about the adjustments and corrections that will be made.

Conclusion - Response accepted.

IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			<u>384,177</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	219,878	
Debt service for school infrastructure:			
General Obligation Debt		<u>14,000</u>	<u>233,878</u>
Ending Balance		\$	<u><u>150,299</u></u>
Levies reduced as result of statewide sales and services tax received:			
		Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$	0.12652	\$14,000

IV-L-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the General Fund owes the Special Revenue, Trust Support Fund, the amount of \$82,915 for the purchase of a bus in past years.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial

statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should develop and implement a policy and procedure to comply with the declaratory ruling that the District should issue anticipatory warrants to repay the interfund loans.

Response - The Board is reviewing its options and will develop a plan at a future meeting.

Conclusion - Response accepted.

IV-M-09 Signing of Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President signing all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

IV-N-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8)." Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - 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 the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. More specific examples of these instances of questioned items and recommendations are as follows:

We noted in our audit that the Student Activity Fund also included an elementary class trip account. After some clarification from the District, the elementary class trip account was used for trips for skiing and fun trips to theme parks during the school year. Students paid a fee to participate. The Department of Education has declared that a District may not assess a fee to any student for participating in field trip, if the field trip is during the day and is counted as a day of instruction.

The Middle School Student Council, Little Red Birds, Elementary Music Fundraiser and Middle School fundraiser accounts contains book fairs expenditures, class supplies and class agenda books and appears to be more instructional in nature. These activities would be better handled in the General Fund.

There was also, an Art Trip Account in the Student Activity Fund. Since Art is considered an instructional type class in nature and its participants are limited to those taking the class, this account would be appropriate in the General Fund.

The Student Activity Fund has an All Sport, Pepsi, Mountain Dew, juice, teacher workroom, and Pepsi-café accounts. The funds from these accounts are used for instructional and administrative expenditures including flowers. The student activity moneys are public funds. The District should move these accounts to the General Fund and only approve expenditures meeting public purpose.

Response - The District is reviewing the propriety of receipts and expenditures recorded in the Student Activity Fund and will move accounts to the General Fund as appropriate.

Conclusion - Response accepted.