

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 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
Board of Education (After September 2009 Election)		
Mike Frost	President	2011
Jack Parsons	Vice President	2011
Mike Stuck	Board Member	2013
Rose Saxton	Board Member	2013
Igor Takacs	Board Member	2011
School Officials		
Tucker Lillis	Superintendent	2010
Becky Wood	Business Manager/ Board Secretary	2010
Ahlers & Cooney	Attorney	2010

Central Decatur Schools

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
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, Leon Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Central Decatur Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 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, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the 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 10, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,933,159 in fiscal 2009 to \$6,832,298 in fiscal 2010, while General Fund expenditures increased from \$6,702,553 in fiscal 2009 to \$6,705,411 in fiscal 2010. Revenues still outpaced expenditures causing the District's General Fund balance to increase from \$859,452 in fiscal 2009 to a balance of \$986,339 in fiscal 2010, a 14.76% increase over the prior year.
- The decrease in General Fund revenues is attributable to a decrease in state sources in fiscal 2010. The District experienced only a modest increase in expenditures which were very comparable with the prior year.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net 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, as well as presenting the Schedule of Funding in Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental 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.

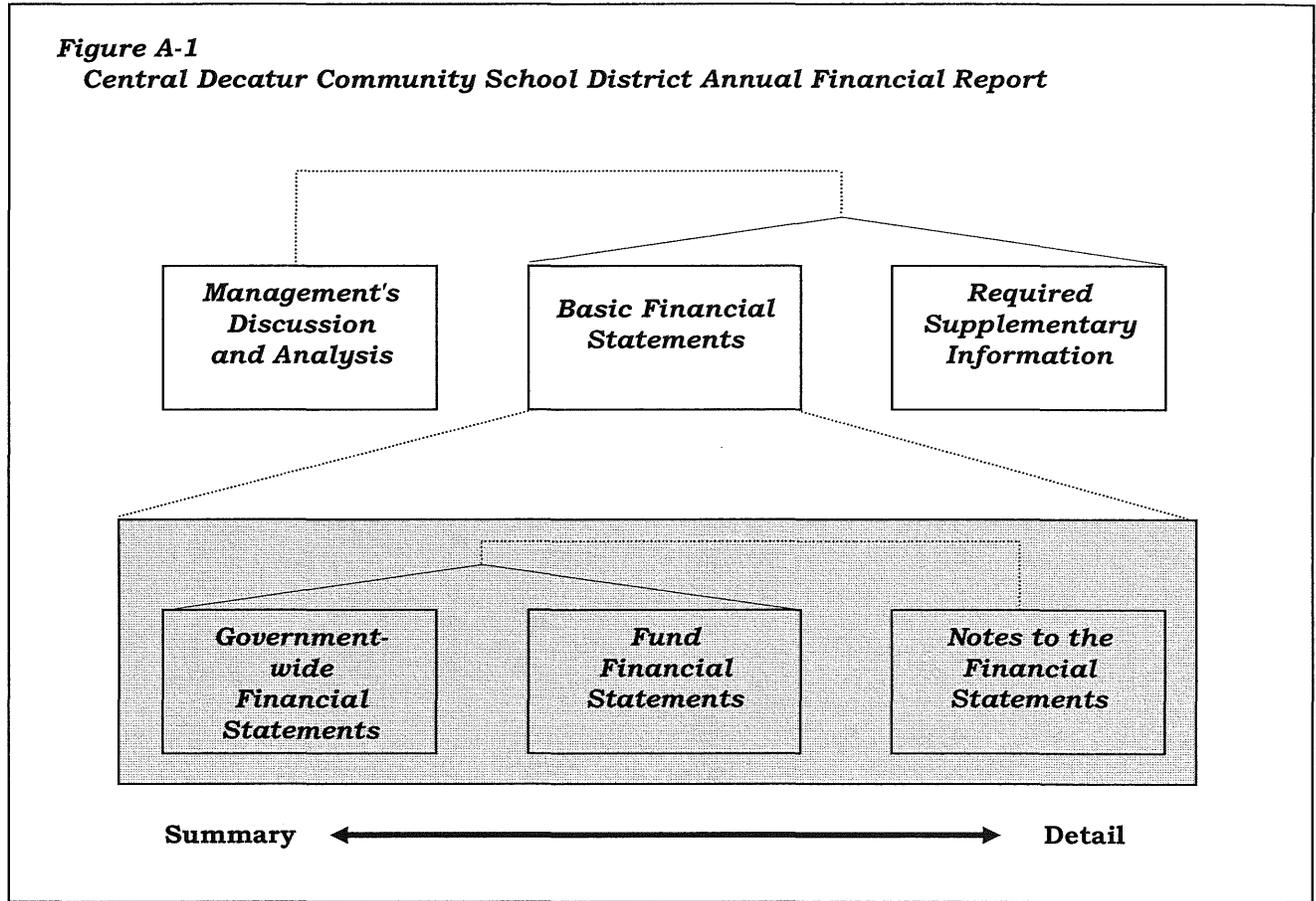


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 6,529,570	4,054,068	105,781	87,265	6,635,351	4,141,333	60.22%
Capital assets	7,448,074	7,012,960	24,765	30,316	7,472,839	7,043,276	6.10%
Total assets	13,977,644	11,067,028	130,546	117,581	14,108,190	11,184,609	26.14%
Long-term obligations	4,821,224	2,571,874	3,056	-	4,824,280	2,571,874	87.58%
Other liabilities	2,374,813	2,191,316	1,626	3,097	2,376,439	2,194,413	8.29%
Total liabilities	7,196,037	4,763,190	4,682	3,097	7,200,719	4,766,287	51.08%
Net assets:							
Invested in capital assets, net of related debt	2,718,074	4,462,960	24,765	30,316	2,742,839	4,493,276	-38.96%
Restricted	3,232,996	896,748	-	-	3,232,996	896,748	260.52%
Unrestricted	830,537	944,130	101,099	84,168	931,636	1,028,298	-9.40%
Total net assets	\$ 6,781,607	6,303,838	125,864	114,484	6,907,471	6,418,322	7.62%

The District's combined net assets increased by 7.62%, or \$489,149, 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 \$2,336,248, or 260.52% 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 – decreased by \$96,662, or 9.40%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for service	\$ 707,982	530,908	178,152	193,109	886,134	724,017	22.39%
Operating grants, contributions and restricted interest	1,680,887	1,519,325	263,390	245,150	1,944,277	1,764,475	10.19%
Capital grants, contributions and restricted interest	346,617	204,880	-	-	346,617	204,880	69.18%
General revenues:							
Local tax	2,011,267	2,116,197	-	-	2,011,267	2,116,197	-4.96%
Income surtax	197,855	-	-	-	197,855	-	100.00%
Statewide sales, services and use tax	385,536	384,177	-	-	385,536	384,177	0.35%
Unrestricted state grants	2,827,206	3,189,534	-	-	2,827,206	3,189,534	-11.36%
Other	46,459	285,677	7,615	1,178	54,074	286,855	-81.15%
Total revenues	<u>8,203,809</u>	<u>8,230,698</u>	<u>449,157</u>	<u>439,437</u>	<u>8,652,966</u>	<u>8,670,135</u>	<u>-0.20%</u>
Program expenses:							
Governmental activities:							
Instructional	4,764,341	4,834,903	-	-	4,764,341	4,834,903	-1.46%
Support services	2,220,352	2,179,396	1,497	1,728	2,221,849	2,181,124	1.87%
Non-instructional programs	781	586	436,280	392,891	437,061	393,477	11.08%
Other expenses	740,566	611,334	-	-	740,566	611,334	21.14%
Total expenses	<u>7,726,040</u>	<u>7,626,219</u>	<u>437,777</u>	<u>394,619</u>	<u>8,163,817</u>	<u>8,020,838</u>	<u>1.78%</u>
Changes in net assets	477,769	604,479	11,380	44,818	489,149	649,297	-24.66%
Beginning net assets	<u>6,303,838</u>	<u>5,699,359</u>	<u>114,484</u>	<u>69,666</u>	<u>6,418,322</u>	<u>5,769,025</u>	<u>11.25%</u>
Ending net assets	<u>\$ 6,781,607</u>	<u>6,303,838</u>	<u>125,864</u>	<u>114,484</u>	<u>6,907,471</u>	<u>6,418,322</u>	<u>7.62%</u>

In fiscal year 2010, local tax and unrestricted state grants accounted for 58.98% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.30% of business type activities revenue.

The District's total revenues were approximately \$8.65 million, of which approximately \$8.20 million was for governmental activities and nearly \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.20% decline in revenues and a 1.78% increase in expenses. The decline in revenues was very minimal considering the 10% across the board cut in state funding experienced in 2010. The increase in expenses is related to growth in spending for facilities and acquisitions and long-term debt interest.

Governmental Activities

Revenues for governmental activities were \$8,203,809 and expenses were \$7,726,040. In a difficult budget year, the District adopted one budget amendment adjusting budgeted 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, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,764,341	4,834,903	-1.46%	2,684,174	3,038,589	-11.66%
Support services	2,220,352	2,179,396	1.88%	2,196,675	2,178,965	0.81%
Non-instructional programs	781	586	33.28%	781	586	33.28%
Other expenses	740,566	611,334	21.14%	108,924	152,966	-28.79%
Totals	\$ 7,726,040	7,626,219	1.31%	4,990,554	5,371,106	-7.09%

- The cost financed by users of the District’s programs was \$707,982.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,027,504.
- The net cost of governmental activities was financed with \$2,209,122 in local tax, \$385,536 in statewide sales, services and use tax, \$2,827,206 in unrestricted state grants, \$13,952 in interest income and \$32,507 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$449,157 and expenses were \$437,777. 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 \$4,003,339, over last year’s ending fund balances of \$1,708,399.

Governmental Fund Highlights

- The General Fund balance increased from \$859,452 in fiscal 2009 to \$986,399 in fiscal 2010. The increase was due in part to repayment of an interfund loan from the Support Trust Fund.
- The Capital Projects Fund balance decreased from \$572,051 in fiscal 2009 to \$532,748 in fiscal 2010. The Capital Projects Fund received \$345,774 in federal grant revenue for school infrastructure projects. However, facilities acquisitions expenditures increased by \$552,774, contributing to a 6.87% decline in fund balance.
- The Debt Service fund balance increased \$2,291,380 from \$12,689 in fiscal 2009 to \$2,304,069 in fiscal 2010. During the year, the district issued \$2.34 million in crossover refunding general obligation bonds which will be used to fulfill the outstanding general obligation debt issued in 2001.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$114,484 at June 30, 2009 to \$125,864 at June 30, 2010, representing an increase of 9.94%. The District received an increase of \$20,781 in federal revenue sources in fiscal 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, Central Decatur community School District amended its budget one time to reflect additional expenditures.

The District's revenues were \$385,738 less than budgeted revenues, a variance of 4.28%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, total expenditures exceeded the amounts budgeted. More specifically, the certified budget was exceeded in the non-instructional functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$7,472,839, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.10% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$318,616.

The original cost of the District's capital assets was \$12,471,603. Governmental funds account for \$12,236,701 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 land improvements category. The District's land improvements, net of accumulated depreciation, totaled \$54,330 at June 30, 2010, compared to \$46,411 reported at June 30, 2009. This represents a 17.06% increase.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Buildings	6,879,496	6,405,060	-	-	6,879,496	6,405,060	7.41%
Land improvements	54,330	46,411	-	-	54,330	46,411	17.06%
Machinery and equipment	484,948	532,189	24,765	30,316	509,713	562,505	-9.39%
Total	\$ 7,448,074	7,012,960	24,765	30,316	7,472,839	7,043,276	6.10%

Long-Term Debt

At June 30, 2010, the District had \$4,824,280 in general obligation and other long-term debt outstanding. This represents an increase of 87.58% from last year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$4,730,000 at June 30, 2010.

The District had total outstanding Early Retirement payable of \$38,280 at June 30, 2010.

The District booked \$56,000 in its initial year of reporting net OPEB liability per requirements contained in GASB Statement No. 45.

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 4,730,000	2,550,000	85.49%
Early Retirement	38,280	21,874	75.00%
Net OPEB liability	56,000	-	100.00%
Totals	\$ 4,824,280	2,571,874	87.58%

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 Becky Wood, Business Manager/Board Secretary, 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, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,420,543	80,248	1,500,791
Cash held by fiscal agent	2,290,938	-	2,290,938
Receivables:			
Property tax:			
Delinquent	39,965	-	39,965
Succeeding year	2,217,046	-	2,217,046
Income surtax	175,385	-	175,385
Accounts	409	-	409
Due from other governments	385,284	2,751	388,035
Inventories	-	22,782	22,782
Capital assets, net of accumulated depreciation	7,448,074	24,765	7,472,839
Total assets	13,977,644	130,546	14,108,190
Liabilities			
Accounts payable	43,067	-	43,067
Accrued interest payable	23,967	-	23,967
Deferred revenue:			
Succeeding year property tax	2,217,046	-	2,217,046
Other	90,733	-	90,733
Unearned revenues	-	1,626	1,626
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	165,000	-	165,000
Early retirement payable	10,937	-	10,937
Portion due after one year:			
General obligation bonds payable	4,565,000	-	4,565,000
Early retirement payable	27,343	-	27,343
Net OPEB liability	52,944	3,056	56,000
Total liabilities	7,196,037	4,682	7,200,719
Net Assets			
Invested in capital assets, net of related debt	2,718,074	24,765	2,742,839
Restricted for:			
Categorical funding	239,998	-	239,998
Physical plant and equipment levy	36,152	-	36,152
Capital projects	532,748	-	532,748
Debt service	2,304,069	-	2,304,069
Other special revenue purposes	120,029	-	120,029
Unrestricted	830,537	101,099	931,636
Total net assets	\$ 6,781,607	125,864	6,907,471

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Service		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Service	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,030,255	374,947	1,278,870	-	(1,376,438)	-	(1,376,438)
Special	1,081,191	47,477	119,299	-	(914,415)	-	(914,415)
Other	652,895	256,868	2,706	-	(393,321)	-	(393,321)
	<u>4,764,341</u>	<u>679,292</u>	<u>1,400,875</u>	<u>-</u>	<u>(2,684,174)</u>	<u>-</u>	<u>(2,684,174)</u>
Support services:							
Student	125,723	-	-	-	(125,723)	-	(125,723)
Instructional staff	271,162	-	-	-	(271,162)	-	(271,162)
Administration	743,779	-	-	-	(743,779)	-	(743,779)
Operation and maintenance of plant	589,094	12,502	-	-	(576,592)	-	(576,592)
Transportation	490,594	11,175	-	-	(479,419)	-	(479,419)
	<u>2,220,352</u>	<u>23,677</u>	<u>-</u>	<u>-</u>	<u>(2,196,675)</u>	<u>-</u>	<u>(2,196,675)</u>
Non-instructional programs	781	-	-	-	(781)	-	(781)
Other expenditures:							
Facilities and acquisitions	117,548	5,013	-	346,617	234,082	-	234,082
Long-term debt interest	137,919	-	-	-	(137,919)	-	(137,919)
AEA flowthrough	280,012	-	280,012	-	-	-	-
Depreciation(unallocated)*	205,087	-	-	-	(205,087)	-	(205,087)
	<u>740,566</u>	<u>5,013</u>	<u>280,012</u>	<u>346,617</u>	<u>(108,924)</u>	<u>-</u>	<u>(108,924)</u>
Total governmental activities	7,726,040	707,982	1,680,887	346,617	(4,990,554)	-	(4,990,554)
Business type activities:							
Support services:							
Administration	109	-	-	-	-	(109)	(109)
Operation and maintenance of plant	1,388	-	-	-	-	(1,388)	(1,388)
	<u>1,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,497)</u>	<u>(1,497)</u>
Non-instructional programs:							
Food service operations	436,280	178,152	263,390	-	-	5,262	5,262
Total business type activities	<u>437,777</u>	<u>178,152</u>	<u>263,390</u>	<u>-</u>	<u>-</u>	<u>3,765</u>	<u>3,765</u>
Total	\$ 8,163,817	886,134	1,944,277	346,617	(4,990,554)	3,765	(4,986,789)
General Revenues:							
Local tax for:							
General purposes					\$ 1,703,691	-	1,703,691
Debt Service					269,672	-	269,672
Capital outlay					37,904	-	37,904
Income surtax					197,855	-	197,855
Statewide sales and services tax					385,536	-	385,536
Unrestricted state grants					2,827,206	-	2,827,206
Gain on sale of equipment					21,384	-	21,384
Unrestricted investment earnings					13,952	51	14,003
Other					11,123	7,564	18,687
Total general revenues					<u>5,468,323</u>	<u>7,615</u>	<u>5,475,938</u>
Changes in net assets					477,769	11,380	489,149
Net assets beginning of year					6,303,838	114,484	6,418,322
Net assets end of year					<u>\$ 6,781,607</u>	<u>125,864</u>	<u>6,907,471</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, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 878,091	357,242	7,772	177,438	1,420,543
Cash held by fiscal agent	-	-	2,290,938	-	2,290,938
Receivables:					
Property tax:					
Delinquent	31,269	-	5,359	3,337	39,965
Succeeding year	1,716,949	-	268,315	231,782	2,217,046
Income surtax	175,385	-	-	-	175,385
Accounts	409	-	-	-	409
Due from other governments	209,778	175,506	-	-	385,284
Total assets	\$ 3,011,881	532,748	2,572,384	412,557	6,529,570
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 42,475	-	-	592	43,067
Deferred revenue:					
Succeeding year property tax	1,716,949	-	268,315	231,782	2,217,046
Income surtax	175,385	-	-	-	175,385
Other	90,733	-	-	-	90,733
Total liabilities	2,025,542	-	268,315	232,374	2,526,231
Fund balances:					
Reserved for:					
Debt service	-	-	2,304,069	-	2,304,069
Categorical funding	239,998	-	-	-	239,998
Unreserved:					
Designated by the board for special purposes	-	-	-	500	500
Undesignated	746,341	532,748	-	179,683	1,458,772
Total fund balances	986,339	532,748	2,304,069	180,183	4,003,339
Total liabilities and fund balances	\$ 3,011,881	532,748	2,572,384	412,557	6,529,570

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, 2010

Total fund balances of governmental funds (page 20)	\$ 4,003,339
 <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.	7,448,074
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	175,385
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.	(23,967)
Long-term liabilities, including general obligation bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,821,224)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 6,781,607</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, 2010

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,760,796	385,536	269,672	167,945	2,583,949
Tuition	290,701	-	-	-	290,701
Other	186,905	16,039	1,283	255,550	459,777
State sources	3,730,133	-	219	136	3,730,488
Federal sources	760,184	345,774	-	843	1,106,801
Total revenues	6,728,719	747,349	271,174	424,474	8,171,716
Expenditures:					
Current:					
Instruction:					
Regular	2,948,268	-	-	14,492	2,962,760
Special	1,079,337	-	-	777	1,080,114
Other	412,244	-	-	238,981	651,225
	4,439,849	-	-	254,250	4,694,099
Support services:					
Student	132,480	-	-	-	132,480
Instructional staff	267,068	-	-	-	267,068
Administration	655,065	-	-	13,012	668,077
Operation and maintenance of plant	474,681	-	-	112,661	587,342
Transportation	455,475	-	-	14,042	469,517
	1,984,769	-	-	139,715	2,124,484
Non-instructional programs	781	-	-	-	781
Other expenditures:					
Facilities acquisitions	-	772,652	-	32,338	804,990
Long-term debt:					
Principal	-	-	160,000	-	160,000
Interest and fiscal charges	-	-	124,275	-	124,275
AEA flowthrough	280,012	-	-	-	280,012
	280,012	772,652	284,275	32,338	1,369,277
Total expenditures	6,705,411	772,652	284,275	426,303	8,188,641
Excess (deficiency) of revenues over (under) expenditures	23,308	(25,303)	(13,101)	(1,829)	(16,925)
Other financing sources (uses):					
Bond proceeds	-	-	2,340,000	-	2,340,000
Cost of issuance	-	-	(46,819)	-	(46,819)
Discount on bond issuance	-	-	(2,700)	-	(2,700)
Transfer in	82,195	-	14,000	-	96,195
Transfer out	-	(14,000)	-	(82,195)	(96,195)
Sale of equipment	21,384	-	-	-	21,384
Total other financing sources (uses)	103,579	(14,000)	2,304,481	(82,195)	2,311,865
Net change in fund balances	126,887	(39,303)	2,291,380	(84,024)	2,294,940
Fund balances beginning of year	859,452	572,051	12,689	264,207	1,708,399
Fund balances end of year	\$ 986,339	532,748	2,304,069	180,183	4,003,339

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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 2,294,940

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

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

Capital outlays	\$ 748,179	
Depreciation expense	<u>(313,065)</u>	435,114

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues as follows:

Issued	(2,340,000)	
Repaid	<u>160,000</u>	(2,180,000)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 10,709

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. (13,644)

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	(16,406)	
Other postemployment benefits	<u>(52,944)</u>	<u>(69,350)</u>

Changes in net assets of governmental activities (page 19) \$ 477,769

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 80,248
Due from other governments	2,751
Inventories	22,782
Capital assets, net of accumulated depreciation	<u>24,765</u>
Total assets	<u>130,546</u>
Liabilities	
Unearned revenue	1,626
Net OPEB liability	<u>3,056</u>
Total liabilities	<u>4,682</u>
Net Assets	
Invested in capital assets	24,765
Unrestricted	101,099
Total net assets	<u>\$ 125,864</u>

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, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 178,152
Miscellaneous	7,564
Total operating revenues	185,716
Operating expenses:	
Support services:	
Administration	109
Operation and maintenance of plant	1,388
	1,497
Non-instructional programs:	
Food service operations:	
Salaries	155,080
Benefits	72,352
Services	555
Supplies	202,168
Other	574
Depreciation	5,551
	436,280
Total operating expenses	437,777
Operating loss	(252,061)
Non-operating revenues:	
State sources	3,757
Federal sources	259,633
Interest income	51
Total non-operating revenues	263,441
Change in net assets	11,380
Net assets beginning of year	114,484
Net assets end of year	\$ 125,864

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 176,382
Cash received from miscellaneous	7,564
Cash payments to employees for services	(224,376)
Cash payments to suppliers for goods or services	(165,280)
Net cash used by operating activities	(205,710)
Cash flows from non-capital financing activities:	
State grants received	3,757
Federal grants received	219,562
Net cash provided by non-capital financing activities	223,319
Cash flows from investing activities:	
Interest on investments	51
Net increase in cash and cash equivalents	17,660
Cash and cash equivalents at beginning of year	62,588
Cash and cash equivalents at end of year	\$ 80,248
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (252,061)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	40,071
Depreciation	5,551
Increase in inventories	(557)
Increase in accounts receivable	(299)
Decrease in unearned revenue	(1,471)
Increase in net OPEB liability	3,056
Net cash used in operating activities	\$ (205,710)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2010, the District received \$40,071 of federal commodities.	

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 78,838
Net Assets	
Reserved for scholarships	\$ 78,838

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 500
Interest income	2,394
Other local revenue	805
Total additions	3,699
 Deductions:	
Instruction:	
Regular:	
Scholarships awarded	6,241
 Change in net assets	(2,542)
 Net assets beginning of year	81,380
 Net assets end of year	\$ 78,838

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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 imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function 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 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, 2010 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 and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
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
Intangibles	2 or more 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, 2010, total District expenditures exceeded the amounts budgeted. More specifically, expenditures exceeded amounts budgeted in the non-instructional and functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service Fund	Capital Projects	\$ 14,000
General Fund	Support Trust Fund	82,195
Total		<u>\$ 96,195</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.

The Board approved to forgive the remaining balance of an interfund loan from the Special Revenue: Support Trust Fund to the General Fund originally used to purchase two buses in 2000.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	-	-	29,300
Total capital assets not being depreciated	<u>29,300</u>	<u>-</u>	<u>-</u>	<u>29,300</u>
Capital assets being depreciated:				
Buildings	9,062,628	675,415	-	9,738,043
Land improvements	236,842	12,027	30,225	218,644
Machinery and equipment	2,189,977	60,737	-	2,250,714
Total capital assets being depreciated	<u>11,489,447</u>	<u>748,179</u>	<u>30,225</u>	<u>12,207,401</u>
Less accumulated depreciation for:				
Buildings	2,657,568	200,979	-	2,858,547
Land improvements	190,431	4,108	30,225	164,314
Machinery and equipment	1,657,788	107,978	-	1,765,766
Total accumulated depreciation	<u>4,505,787</u>	<u>313,065</u>	<u>30,225</u>	<u>4,788,627</u>
Total capital assets being depreciated, net	<u>6,983,660</u>	<u>435,114</u>	<u>-</u>	<u>7,418,774</u>
Governmental activities capital assets, net	<u>\$ 7,012,960</u>	<u>435,114</u>	<u>-</u>	<u>7,448,074</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 234,902	-	-	234,902
Less accumulated depreciation	204,586	5,551	-	210,137
Business type activities capital assets, net	\$ 30,316	(5,551)	-	24,765

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 36,908
Support services:		
Instructional staff		1,022
Administration		20,621
Transportation		49,427
		<u>107,978</u>
Unallocated depreciation		<u>205,087</u>
		<u>\$ 313,065</u>
Business type activities:		
Food services		<u>\$ 5,551</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,550,000	2,340,000	160,000	4,730,000	165,000
Early Retirement	21,874	27,343	10,937	38,280	10,937
Net OPEB liability	-	52,944	-	52,944	-
Total	\$ 2,571,874	2,420,287	170,937	4,821,224	175,937
Business type activities:					
Net OPEB liability	\$ -	3,056	-	3,056	-

General Obligation Bonds Payable

On April 8, 2010, the District issued \$2,340,000 of general obligation refunding bonds, with interest rates ranging from 1.15% to 3.65%, for a crossover refunding of a portion of the general obligation bonds issued August 1, 2001. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,225,000 principal of the refunded general obligation bonds when they become callable on June 1, 2011 and the interest from April 8, 2010 to and including June 1, 2011 on the refunding

bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. The present value of savings of the crossover refunding is \$111,793.

Details of the District's June 30, 2010 general obligation bonds indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2001			
	Interest Rates	Principal	Interest	Total
2011	4.450 %	\$ 165,000	116,915	281,915
2012	4.600	175,000	109,573	284,573
2013	4.700	185,000	101,522	286,522
2014	4.800	195,000	92,828	287,828
2015	4.850	205,000	83,467	288,467
2016-2020	5.000	1,190,000	254,875	1,444,875
2021	5.100	275,000	14,025	289,025
Total		\$ 2,390,000	773,205	3,163,205

Year Ended June 30,	Bond Issue of April 8, 2010			
	Interest Rates	Principal	Interest	Total
2011	1.150 %	\$ -	70,778	70,778
2012	1.150	215,000	61,695	276,695
2013	1.500	215,000	59,223	274,223
2014	1.800	220,000	55,997	275,997
2015	2.200	220,000	52,038	272,038
2016-2020	2.60-3.50	1,205,000	168,647	1,373,647
2021	3.650	265,000	9,673	274,673
Total		\$ 2,340,000	478,051	2,818,051

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, 2010, totaled \$10,937. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$266,529, \$254,622, and \$232,040, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 74 active members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Coventry. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 76,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>76,000</u>
Contributions made	<u>20,000</u>
Increase in net OPEB obligation	56,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 56,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$20,000 to the medical plan. Plan members eligible for the plan contributed \$22,000 or 52.38% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$76,000	26.32%	\$56,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$585,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$585,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,934,049 and the ratio of the UAAL to covered payroll was 19.94%. As of June 30, 2010, there were no trust fund assets.

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

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

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

Mortality rates are from the RP-2000 table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$728 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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 \$280,012 for the year ended June 30, 2010 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, 2010, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 15,480
Gifted and Talented Programs	62,836
Retraining Dropouts and Dropout Prevention Programs	105,165
Teacher Salary Supplement	30,031
Professional Development for Model Core Curriculum	16,884
Professional Development	9,602
	<hr/>
Total	\$ 239,998

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,334,427	185,767	3,520,194	3,657,017	3,657,017	(136,823)
State sources	3,730,488	3,757	3,734,245	4,696,640	4,696,640	(962,395)
Federal sources	1,106,801	259,633	1,366,434	652,954	652,954	713,480
Total revenues	8,171,716	449,157	8,620,873	9,006,611	9,006,611	(385,738)
Expenditures/expenses:						
Instruction	4,694,099	-	4,694,099	5,488,413	5,488,413	794,314
Support	2,124,484	1,497	2,125,981	2,752,411	2,861,685	735,704
Non-instructional	781	436,280	437,061	536,274	427,000	(10,061)
Other expenditures	1,369,277	-	1,369,277	1,409,774	1,409,774	40,497
Total expenditures/expenses	8,188,641	437,777	8,626,418	10,186,872	10,186,872	1,560,454
Excess(deficiency) of revenues over(under) expenditures/expenses	(16,925)	11,380	(5,545)	(1,180,261)	(1,180,261)	1,174,716
Other financing sources, net	2,311,865	-	2,311,865	2,100	2,100	2,309,765
Excess(deficiency) of revenues over(under) expenditures/expenses	2,294,940	11,380	2,306,320	(1,178,161)	(1,178,161)	3,484,481
Balance beginning of year	1,708,399	114,484	1,822,883	1,498,578	1,498,578	324,305
Balance end of year	\$ 4,003,339	125,864	4,129,203	320,417	320,417	3,808,786

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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, 2010, expenditures in the non-instructional functional area exceeded the amounts budgeted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING IN PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 585,000	585,000	0.00%	\$ 2,934,049	19.94%

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

OTHER SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

	Special Revenue				Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Support Trust	
Assets					
Cash and pooled investments	\$ 76,229	21,418	35,399	44,392	177,438
Receivables:					
Property tax:					
Delinquent	-	2,584	753	-	3,337
Succeeding year	-	190,000	41,782	-	231,782
Total assets	\$ 76,229	214,002	77,934	44,392	412,557
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 592	-	-	-	592
Deferred revenue:					
Succeeding year property tax	-	190,000	41,782	-	231,782
Total liabilities	592	190,000	41,782	-	232,374
Fund balances:					
Unreserved:					
Designated by the board for special purposes	-	-	500	-	500
Undesignated	75,637	24,002	35,652	44,392	179,683
Total fund balances	75,637	24,002	36,152	44,392	180,183
Total liabilities and fund balances	\$ 76,229	214,002	77,934	44,392	412,557

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, 2010

	Special Revenue				Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Support Trust	
Revenues:					
Local sources:					
Local tax	\$ -	130,041	37,904	-	167,945
Other	242,238	12,507	3	802	255,550
State sources	-	106	30	-	136
Federal sources	-	-	843	-	843
Total revenues	242,238	142,654	38,780	802	424,474
Expenditures:					
Current:					
Instruction:					
Regular	4,332	10,160	-	-	14,492
Special	-	777	-	-	777
Other	238,981	-	-	-	238,981
Support services:					
Administration	-	12,143	869	-	13,012
Operation and maintenance of plant	-	106,152	6,509	-	112,661
Transportation	-	14,042	-	-	14,042
Other expenditures:					
Facilities acquisitions	-	-	32,338	-	32,338
Total expenditures	243,313	143,274	39,716	-	426,303
Excess(deficiency) of revenues over(under) expenditures	(1,075)	(620)	(936)	802	(1,829)
Other financing uses:					
Transfer out	-	-	-	(82,195)	(82,195)
Deficiency of revenues under expenditures and other financing uses	(1,075)	(620)	(936)	(81,393)	(84,024)
Fund balances beginning of year	76,712	24,622	37,088	125,785	264,207
Fund balances end of year	\$ 75,637	24,002	36,152	44,392	180,183

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Athletics:					
Basketball	\$ 8,464	14,275	12,088	(21)	10,630
Track	-	1,563	2,132	800	231
Golf	-	1,374	1,668	1	(293)
Football	-	11,281	15,403	4,326	204
Baseball and Fundraiser	39	3,615	4,891	451	(786)
Wrestling	178	4,988	6,594	1,061	(367)
Volleyball	1,424	4,003	3,734	(300)	1,393
Softball and Fundraiser	484	4,404	4,776	2,752	2,864
Girls Bowling	108	896	856	-	148
General Athletics	473	349	2,809	3,628	1,641
Season Passes	-	1,773	-	(1,678)	95
Girls Basketball Camp	3,942	3,391	5,117	-	2,216
Boys Basketball Camp	120	2,542	2,186	-	476
Football Camp	2,826	11,787	10,631	(2,867)	1,115
	<u>18,058</u>	<u>66,241</u>	<u>72,885</u>	<u>8,153</u>	<u>19,567</u>
Athletic Support:					
Cheerleaders	-	180	564	384	-
Drill Team	253	811	896	-	168
	<u>253</u>	<u>991</u>	<u>1,460</u>	<u>384</u>	<u>168</u>
Clubs:					
Timber	783	-	48	-	735
Little Red Birds Preschool	1,089	5,346	6,435	-	-
Central Decatur PTO	80	-	80	-	-
Cardinal Athletics	1,140	1,192	3,307	1,564	589
International Club	1,249	361	153	-	1,457
Student Resale	-	4,636	4,521	(386)	(271)
TSA Club	820	15,115	15,266	-	669
Drama/Play Club	4,565	1,971	1,593	-	4,943
Spanish Club	22	789	369	-	442
Speech Club	-	130	361	231	-
National Honor Society	3,161	-	-	471	3,632
SADD	865	1,300	344	-	1,821
Academic Bowl	-	180	189	9	-
Weight Club	-	4,922	3,713	-	1,209
MOB	93	2,706	1,942	(127)	730
Music Boosters	704	854	470	-	1,088
Go Ape	2,149	6,525	5,912	-	2,762
	<u>16,720</u>	<u>46,027</u>	<u>44,703</u>	<u>1,762</u>	<u>19,806</u>
Graduation Classes:					
Class of 2010	2,330	5,373	9,526	2,174	351
Class of 2011	433	4,699	3,424	-	1,708
Class of 2012	201	240	42	-	399
Class of 2013	-	335	-	-	335
	<u>2,964</u>	<u>10,647</u>	<u>12,992</u>	<u>2,174</u>	<u>2,793</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, 2010

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	3,202	50,967	53,131	(121)	917
FCCLA	127	1,307	1,225	-	209
	<u>3,329</u>	<u>52,274</u>	<u>54,356</u>	<u>(121)</u>	<u>1,126</u>
Yearbook:					
Annual	5,776	5,624	6,083	-	5,317
Student Councils:					
HS Student Council	413	2,572	2,441	-	544
MS Student Council	92	1	89	-	4
	<u>505</u>	<u>2,573</u>	<u>2,530</u>	<u>-</u>	<u>548</u>
JR/SR Awards:					
Awards	10	-	2,152	1,685	(457)
Middle School Fund Raiser	1,083	6,543	6,073	474	2,027
	<u>1,093</u>	<u>6,543</u>	<u>8,225</u>	<u>2,159</u>	<u>1,570</u>
Elementary:					
Elementary Field Trip	18	-	18	-	-
Band/Chorus/Art:					
Art Trip	-	178	178	-	-
Music Trip	22,500	21,210	17,398	-	26,312
Instrumental Music	-	-	313	313	-
Vocal Music	-	146	231	85	-
Elem Music Fund Raiser	612	152	764	-	-
	<u>23,112</u>	<u>21,686</u>	<u>18,884</u>	<u>398</u>	<u>26,312</u>
Miscellaneous Accounts:					
Juice	488	-	-	(488)	-
Pepsi	980	400	-	(1,379)	1
Mountain Dew	831	128	-	(959)	-
TE Workroom Pop	1,639	479	1,487	(631)	-
Pepsi-Café	535	609	-	(1,056)	88
Fall Concessions	-	8,746	6,876	(1,872)	(2)
Winter Concessions	103	11,902	9,339	(2,466)	200
Summer Concessions	308	6,135	3,475	(4,828)	(1,860)
Interest	-	1,233	-	(1,230)	3
	<u>4,884</u>	<u>29,632</u>	<u>21,177</u>	<u>(14,909)</u>	<u>(1,570)</u>
Total	<u>\$ 76,712</u>	<u>242,238</u>	<u>243,313</u>	<u>-</u>	<u>75,637</u>

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, 2010

	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:											
Gifts and contributions	\$ -	-	-	-	-	-	-	-	-	500	500
Interest	-	27	109	101	166	1,000	60	931	-	-	2,394
Other local revenue	-	-	-	-	-	-	-	-	-	805	805
Total additions	-	27	109	101	166	1,000	60	931	-	1,305	3,699
Deductions:											
Instruction:											
Regular:											
Scholarships awarded	100	100	200	200	500	1,450	200	2,000	150	1,341	6,241
Changes in net assets	(100)	(73)	(91)	(99)	(334)	(450)	(140)	(1,069)	(150)	(36)	(2,542)
Net assets beginning of year	500	1,698	6,267	5,657	10,298	1,450	2,987	51,302	751	470	81,380
Net assets end of year	\$ 400	1,625	6,176	5,558	9,964	1,000	2,847	50,233	601	434	78,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2010

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	
Assets											
Cash and pooled investments	\$ 400	1,625	6,176	5,558	9,964	1,000	2,847	50,233	601	434	78,838
Liabilities											
	-	-	-	-	-	-	-	-	-	-	-
Net Assets											
Reserved for scholarships	\$ 400	1,625	6,176	5,558	9,964	1,000	2,847	50,233	601	434	78,838

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,583,949	2,503,149	2,348,093	1,825,892	2,274,413	2,215,502	2,128,583
Tuition	290,701	335,722	287,073	205,594	157,034	211,635	250,447
Other	459,777	497,025	435,878	977,751	404,421	292,025	366,257
Intermediate sources	-	-	-	-	-	3,500	9,534
State sources	3,730,488	4,122,242	4,184,634	4,012,375	3,881,688	3,824,180	3,711,395
Federal sources	1,106,801	775,335	354,877	350,165	366,308	990,892	1,022,247
Total	\$ 8,171,716	8,233,473	7,610,555	7,371,777	7,083,864	7,537,734	7,488,463
Expenditures:							
Instruction:							
Regular	\$ 2,962,760	3,584,369	2,116,372	2,080,081	2,111,738	2,011,434	1,861,672
Special	1,080,114	401,003	1,361,384	1,373,325	1,375,313	1,183,551	1,701,382
Other	651,225	743,410	1,118,937	1,155,003	1,097,039	1,010,720	587,880
Support services:							
Student	132,480	131,405	128,839	137,913	137,510	185,335	156,971
Instructional staff	267,068	312,658	245,886	210,221	176,916	148,074	112,165
Administration	668,077	738,026	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant	587,342	572,399	590,346	545,868	570,804	500,877	442,197
Transportation	469,517	411,817	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	781	586	374	-	24,190	355,901	443,482
Other expenditures:							
Facilities acquisitions	804,990	255,371	741,155	68,395	146,308	443,849	782,391
Long-term debt:							
Principal	160,000	155,000	145,000	140,000	135,000	130,000	125,000
Interest	124,275	130,862	137,025	142,975	148,712	154,238	159,450
AEA flow-through	280,012	253,488	245,664	239,906	232,901	226,161	229,347
Total	\$ 8,188,641	7,690,394	7,925,384	7,214,489	7,192,175	7,414,601	7,611,947

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Education:			
Improving Literacy Through School Libraries	84.364A	FY 10	\$ 14,232
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	58,606
National School Lunch Program	10.555	FY 10	198,276 *
Summer Food Service Program for Children	10.559	FY 10	2,751
			<u>259,633</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 10	202,380
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	47,830
			<u>250,210</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	3,864
Improving Teacher Quality State Grants	84.367	FY 10	47,642
Grants for State Assessments and Related Activities	84.369	FY 10	4,596
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	268,771
Green Valley Area Education Agency 14:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 10	38,746
Special Education Grants to States, Recovery Act	84.391	FY 10	79,203
			<u>117,949</u>
Educational Technology State Grants (E2T2)	84.318	FY 10	1,133
Special Education - State Personnel Development	84.323	FY 10	1,350

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
U.S. Department of Education(continued):			
Career and Technical Education - Basic Grants to States	84.048	FY 10	10,596
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Area Health Education Centers Infrastructure Development Awards	93.824	FY 10	10,753
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems			
	93.938	FY 10	206
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY 10	346,617
Total			\$ 1,337,552

* -Includes \$40,071 of non-cash awards.

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 on 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 amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a significant deficiency.

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, 2010 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 and Questioned Costs. 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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 10, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

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, 2010. 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 on compliance in accordance with U.S. generally accepted accounting 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 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 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, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2011

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (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 - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - CFDA Number 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)
 - Clustered programs:
 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 84.391 - Special Education Grants to States, 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, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 - Central Decatur will investigate available alternatives and implement as possible. Central office assistant and superintendent will be utilized to provide secondary control. District requests suggested action for implementation from auditor.

Conclusion - Response accepted.

II-B-10 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - District has reviewed with Nutrition Director and directed to change practice according to the auditor's recommendation.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 84.394 - State Fiscal Stabilization Fund - Education State Grants,
Recovery Act**

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 84.027 Special Education - Grants to States

CFDA Number 84.391 Special Education Grants to States, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Green Valley Area Education Agency 14

CFDA Number 97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Federal Award Year: 2010

U.S. Department of Homeland Security

Passed through the Iowa Department of Homeland Security

III-A-10 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 - Central Decatur will investigate available alternatives and implement as possible. Central office assistant and superintendent will be utilized to provide secondary control. District requests suggested action for implementation from auditor.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010 exceeded the amounts budgeted in the non-instructional functional area.

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 - We did amend the budget, but underestimated the amount. The budget will be reviewed and any necessary amendments will be done in a timely matter.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - During our audit we noted that gift cards purchased from the Student Activity Fund were given to students as prizes for being top sellers in fundraisers and also to parents who served as chaperones. Giving cash or gift certificates/cards to students as incentives does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - District has reviewed with Athletic Director and directed to change practice according to auditor's recommendation.

Conclusion - Response accepted.

IV-C-10 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-10 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	\$1,949
Dan Christensen, Teacher Owns Christensen Mowing	Purchased Service	\$16,488

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 not appear to represent a conflict of interest as the \$2,500 limit to Board Members was not exceeded.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. Line 1 was overstated by 1.0 student.

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

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales services tax are as follows:

Beginning Balance		\$	150,299
Statewide sales and services tax revenue			<u>385,536</u>
Expenditures/transfers out:			
School infrastructures:			
Buildings	\$	521,835	
Debt service for school infrastructure:			
General Obligation Debt		<u>14,000</u>	<u>535,835</u>
Ending Balance		\$	<u><u>-</u></u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.12162	\$ 14,000
Physical Plant and Equipment Levy	\$ 1.34000	\$ 154,257

IV-M-10 Scholarship Awards - We noted the FFA account within the Student Activity Fund awards scholarships from proceeds of fundraising during the year.

Recommendation - When fundraising takes place, the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - The Paul Vaughn scholarship has been moved to the scholarship fund. All new scholarships will be put in the scholarship fund.

Conclusion - Response accepted.