

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Mike Frost	President	2011
Igor Takacs	Vice President	2011
Mike Stuck	Board Member	2013
Rose Saxton	Board Member	2013
Jack Parsons	Board Member	2011
<b>School Officials</b>		
Chris Coffelt	Superintendent	2011
Becky Wood	Business Manager/ Board Secretary	2011
Verle Norris Law Firm	Attorney	2011

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# **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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Central Decatur Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2012 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 seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, 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.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,832,298 in fiscal 2010 to \$7,258,166 in fiscal 2011, while General Fund expenditures increased from \$6,705,411 in fiscal 2010 to \$6,902,925 in fiscal 2011. Revenues outpaced expenditures causing the District's General Fund balance to increase from \$986,339 in fiscal 2010 to a balance of \$1,341,580 in fiscal 2011, a 36.02% increase over the prior year.
- The increase in General Fund revenues is attributable to an increase in local and state sources in fiscal 2011. 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 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.

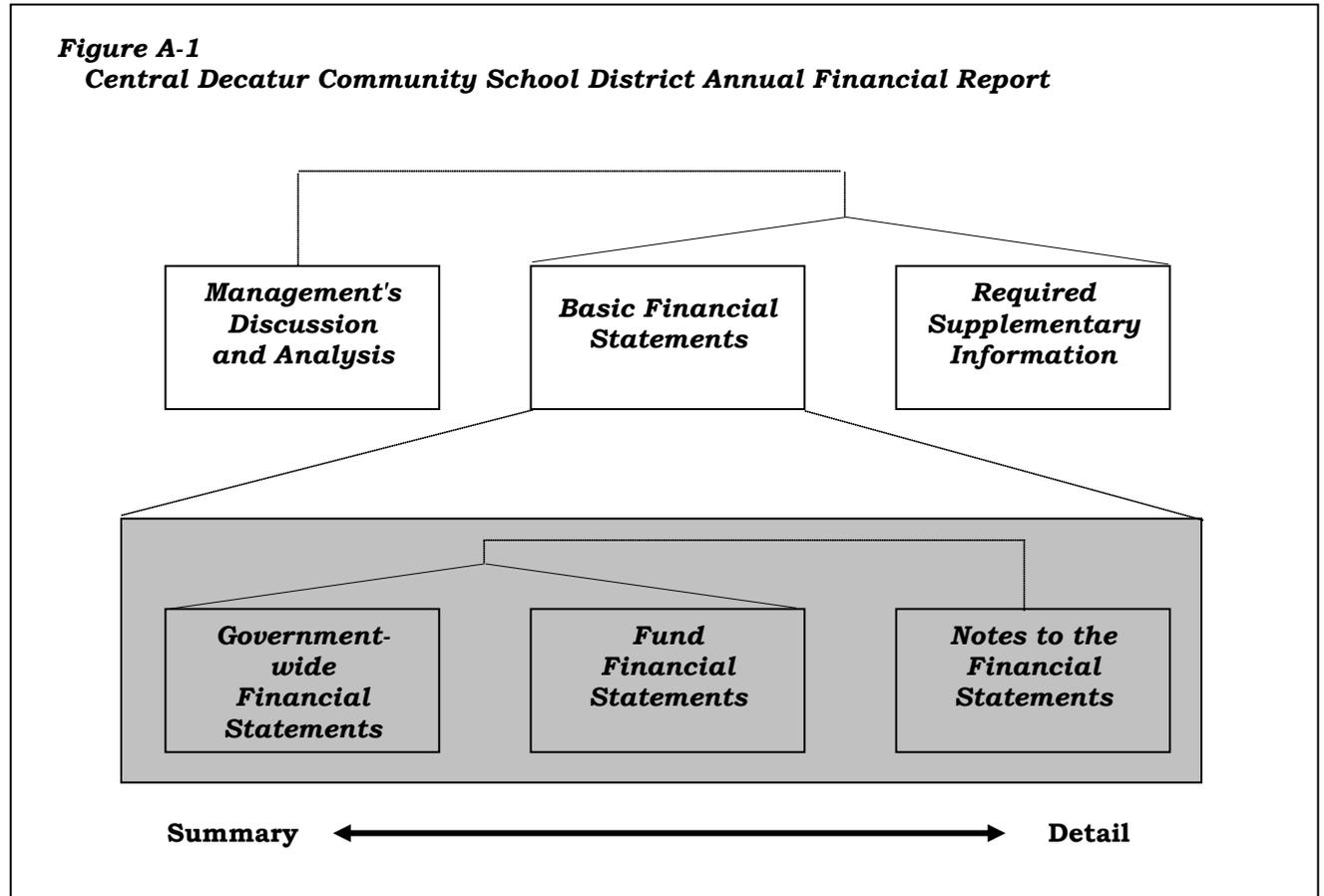


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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

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## 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, is 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, 2011 compared to June 30, 2010.

	Figure A-3							Total Change June 30, 2010-11
	Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District			
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010		
Current and other assets	\$ 5,536,665	6,529,570	154,618	105,781	5,691,283	6,635,351	-14.23%	
Capital assets	7,906,825	7,448,074	38,245	24,765	7,945,070	7,472,839	6.32%	
Total assets	13,443,490	13,977,644	192,863	130,546	13,636,353	14,108,190	-3.34%	
Long-term obligations	2,466,058	4,821,224	5,699	3,056	2,471,757	4,824,280	-48.76%	
Other liabilities	3,308,453	2,374,813	27,126	1,626	3,335,579	2,376,439	40.36%	
Total liabilities	5,774,511	7,196,037	32,825	4,682	5,807,336	7,200,719	-19.35%	
Net assets:								
Invested in capital assets, net of related debt	5,566,825	2,718,074	38,245	24,765	5,605,070	2,742,839	104.35%	
Restricted	996,254	3,232,996	-	-	996,254	3,232,996	-69.18%	
Unrestricted	1,105,900	830,537	121,793	101,099	1,227,693	931,636	31.78%	
Total net assets	\$ 7,668,979	6,781,607	160,038	125,864	7,829,017	6,907,471	13.34%	

The District's combined net assets increased by 13.34%, or \$921,546, 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 decreased by \$2,236,742, or 69.18% from the prior year.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$296,057, or 31.78%.

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

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues/Transfers:							
Program revenues:							
Charges for service	\$ 818,111	707,982	161,245	178,152	979,356	886,134	10.52%
Operating grants, contributions and restricted interest	1,401,411	1,680,887	311,344	263,390	1,712,755	1,944,277	-11.91%
Capital grants, contributions and restricted interest	103,832	346,617	-	-	103,832	346,617	-70.04%
General revenues:							
Property tax	2,211,337	2,011,267	-	-	2,211,337	2,011,267	9.95%
Income surtax	192,734	197,855	-	-	192,734	197,855	-2.59%
Statewide sales, services and use tax	459,786	385,536	-	-	459,786	385,536	19.26%
Unrestricted state grants	3,238,109	2,827,206	-	-	3,238,109	2,827,206	14.53%
Nonspecific program federal revenue	147,832	-	-	-	147,832	-	100.00%
Other	21,160	46,459	1,276	7,615	22,436	54,074	-58.51%
Transfers	(235)	-	-	-	(235)	-	100.00%
Total revenues and transfers	<u>8,594,077</u>	<u>8,203,809</u>	<u>473,865</u>	<u>449,157</u>	<u>9,067,942</u>	<u>8,652,966</u>	<u>4.80%</u>
Program expenses:							
Governmental activities:							
Instructional	4,861,226	4,764,341	-	-	4,861,226	4,764,341	2.03%
Support services	2,167,451	2,220,352	3,831	1,497	2,171,282	2,221,849	-2.28%
Non-instructional programs	894	781	435,860	436,280	436,754	437,061	-0.07%
Other expenses	677,134	740,566	-	-	677,134	740,566	-8.57%
Total expenses	<u>7,706,705</u>	<u>7,726,040</u>	<u>439,691</u>	<u>437,777</u>	<u>8,146,396</u>	<u>8,163,817</u>	<u>-0.21%</u>
Changes in net assets	887,372	477,769	34,174	11,380	921,546	489,149	88.40%
Beginning net assets, as restated	<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>
Ending net assets	<u>\$ 7,668,979</u>	<u>6,781,607</u>	<u>160,038</u>	<u>125,864</u>	<u>7,829,017</u>	<u>6,907,471</u>	<u>13.34%</u>

In fiscal year 2011, local tax and unrestricted state grants accounted for 63.41% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.73% of business type activities revenue.

The District's total revenues were approximately \$9.07 million, of which approximately \$8.60 million was for governmental activities and approximately \$0.47 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.80% increase in revenues and a 0.21% decrease in expenses. The increase in revenues was largely a result of increased unrestricted state grant revenues. The decrease in expenses is a result of the District's continuing efforts to minimize costs while still providing quality services.

### Governmental Activities

Revenues for governmental activities were \$8,594,077 and expenses were \$7,706,705. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,861,226	4,764,341	2.03%	2,949,371	2,684,174	9.88%
Support services	2,167,451	2,220,352	-2.38%	2,146,474	2,196,675	-2.29%
Non-instructional programs	894	781	14.47%	894	781	14.47%
Other expenses	677,134	740,566	-8.57%	286,612	108,924	163.13%
Totals	\$ 7,706,705	7,726,040	-0.25%	5,383,351	4,990,554	7.87%

- The cost financed by users of the District's programs was \$818,111.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,505,243.
- The net cost of governmental activities was financed with \$2,211,337 in property tax, \$192,734 in income surtax, \$459,786 in statewide sales, services and use tax, \$3,238,109 in unrestricted state grants, \$147,832 in nonspecific program federal revenues, \$13,769 in interest income and \$7,156 in other general revenues net of transfers.

### Business type Activities

Revenues of the District's business type activities were \$473,865 and expenses were \$439,691. 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 \$2,046,230, down from last year's ending fund balances of \$4,003,339. The reduction is mostly the result of the District calling \$2,225,000 in bonds during the year.

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## **Governmental Fund Highlights**

- The General Fund balance increased from \$986,339 in fiscal 2010 to \$1,341,580 in fiscal 2011. The increase was due in part to increased revenues from local and state sources.
- The Capital Projects Fund balance decreased from a restated balance of \$568,900 to begin the year to an ending balance of \$555,651 in fiscal 2011. The Capital Projects Fund received significantly less in federal grant revenue for school infrastructure projects as compared to last year. However, facilities acquisitions expenditures decreased as well limiting the decline in fund balance.
- The Debt Service fund balance decreased from \$2,304,069 in fiscal 2010 to \$2,331 in fiscal 2011. During the year, the district called \$2.225 million in outstanding general obligation debt issued in 2001.

## **Proprietary Fund Highlights**

The Proprietary Fund net assets increased from \$125,864 at June 30, 2010 to \$160,038 at June 30, 2011, representing an increase of 27.15%. The District received an increase of \$48,116 in federal revenue sources in fiscal 2011.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Central Decatur community School District amended its budget one time to reclassify expenditures and reduced total expenses by \$565,528.

The District's revenues were \$166,803 less than budgeted revenues, a variance of 1.81%. 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, the certified budget was exceeded in the other expenditures functional area.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$7,945,070, 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 6.32% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$345,196.

The original cost of the District's capital assets was \$12,984,653. Governmental funds account for \$12,750,225 with the remainder of \$234,428 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,

totalled \$133,749 at June 30, 2011, compared to \$54,330 reported at June 30, 2010. This represents a 146.18% increase.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Buildings	7,183,998	6,879,496	-	-	7,183,998	6,879,496	4.43%
Land improvements	133,749	54,330	-	-	133,749	54,330	146.18%
Machinery and equipment	525,695	484,948	38,245	24,765	563,940	509,713	10.64%
Construction in progress	34,083	-	-	-	34,083	-	100.00%
Total	<u>\$ 7,906,825</u>	<u>7,448,074</u>	<u>38,245</u>	<u>24,765</u>	<u>7,945,070</u>	<u>7,472,839</u>	<u>6.32%</u>

### Long-Term Debt

At June 30, 2011, the District had \$2,471,757 in general obligation and other long-term debt outstanding. This represents a decrease of 48.76% from last year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$2,340,000 at June 30, 2011.

The District had total outstanding Early Retirement payable of \$27,343 at June 30, 2011.

The District had total net OPEB liability of \$104,414, after booking an additional \$48,414 in its second year of reporting per requirements contained in GASB Statement No. 45.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 2,340,000	4,730,000	-50.53%
Early Retirement	27,343	38,280	-28.57%
Net OPEB liability	104,414	56,000	86.45%
Totals	<u>\$ 2,471,757</u>	<u>4,824,280</u>	<u>-48.76%</u>

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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## **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, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,429,254	135,176	2,564,430
Receivables:			
Property tax:			
Delinquent	44,429	-	44,429
Succeeding year	2,288,394	-	2,288,394
Income surtax	187,063	-	187,063
Accounts	23,388	-	23,388
Due from other governments	564,137	-	564,137
Inventories	-	19,442	19,442
Capital assets, net of accumulated depreciation	7,906,825	38,245	7,945,070
<b>Total assets</b>	<b>13,443,490</b>	<b>192,863</b>	<b>13,636,353</b>
<b>Liabilities</b>			
Accounts payable	128,311	18,992	147,303
Salaries and benefits payable	761,356	6,580	767,936
Accrued interest payable	5,081	-	5,081
Deferred revenue:			
Succeeding year property tax	2,288,394	-	2,288,394
Other	125,311	-	125,311
Unearned revenues	-	1,554	1,554
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	215,000	-	215,000
Early retirement payable	10,937	-	10,937
Portion due after one year:			
General obligation bonds payable	2,125,000	-	2,125,000
Early retirement payable	16,406	-	16,406
Net OPEB liability	98,715	5,699	104,414
<b>Total liabilities</b>	<b>5,774,511</b>	<b>32,825</b>	<b>5,807,336</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,566,825	38,245	5,605,070
Restricted for:			
Categorical funding	318,947	-	318,947
Debt service	2,331	-	2,331
Management levy purposes	51,059	-	51,059
Student activities	63,587	-	63,587
School infrastructure	535,960	-	535,960
Physical plant and equipment	19,691	-	19,691
Special purposes	4,679	-	4,679
Unrestricted	1,105,900	121,793	1,227,693
<b>Total net assets</b>	<b>\$ 7,668,979</b>	<b>160,038</b>	<b>7,829,017</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Service	and Restricted Interest	Contributions and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,397,013	401,897	444,169	-	(1,550,947)	-	(1,550,947)
Special	1,149,600	131,980	190,667	-	(826,953)	-	(826,953)
Other	1,314,613	258,238	484,904	-	(571,471)	-	(571,471)
	<u>4,861,226</u>	<u>792,115</u>	<u>1,119,740</u>	<u>-</u>	<u>(2,949,371)</u>	<u>-</u>	<u>(2,949,371)</u>
Support services:							
Student	140,321	-	-	-	(140,321)	-	(140,321)
Instructional staff	304,071	-	-	-	(304,071)	-	(304,071)
Administration	665,643	-	-	-	(665,643)	-	(665,643)
Operation and maintenance of plant	590,980	9,114	-	-	(581,866)	-	(581,866)
Transportation	466,436	11,863	-	-	(454,573)	-	(454,573)
	<u>2,167,451</u>	<u>20,977</u>	<u>-</u>	<u>-</u>	<u>(2,146,474)</u>	<u>-</u>	<u>(2,146,474)</u>
Non-instructional programs	894	-	-	-	(894)	-	(894)
Other expenditures:							
Facilities and acquisitions	12,144	5,019	-	103,832	96,707	-	96,707
Long-term debt interest	164,818	-	-	-	(164,818)	-	(164,818)
AEA flowthrough	281,671	-	281,671	-	-	-	-
Depreciation(unallocated)*	218,501	-	-	-	(218,501)	-	(218,501)
	<u>677,134</u>	<u>5,019</u>	<u>281,671</u>	<u>103,832</u>	<u>(286,612)</u>	<u>-</u>	<u>(286,612)</u>
Total governmental activities	7,706,705	818,111	1,401,411	103,832	(5,383,351)	-	(5,383,351)
Business type activities:							
Support services:							
Administration	75	-	-	-	-	(75)	(75)
Operation and maintenance of plant	3,756	-	-	-	-	(3,756)	(3,756)
	<u>3,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,831)</u>	<u>(3,831)</u>
Non-instructional programs:							
Food service operations	435,860	161,245	311,344	-	-	36,729	36,729
Total business type activities	<u>439,691</u>	<u>161,245</u>	<u>311,344</u>	<u>-</u>	<u>-</u>	<u>32,898</u>	<u>32,898</u>
Total	\$ 8,146,396	979,356	1,712,755	103,832	(5,383,351)	32,898	(5,350,453)
<b>General revenues and transfers:</b>							
Property tax for:							
General purposes					\$ 1,903,421	-	1,903,421
Debt Service					266,428	-	266,428
Capital outlay					41,488	-	41,488
Income surtax					192,734	-	192,734
Statewide sales, services and use tax					459,786	-	459,786
Unrestricted state grants					3,238,109	-	3,238,109
Nonspecific program federal revenue					147,832	-	147,832
Unrestricted investment earnings					13,769	58	13,827
Other					7,391	1,218	8,609
Transfers					(235)	-	(235)
Total general revenues and transfers					<u>6,270,723</u>	<u>1,276</u>	<u>6,271,999</u>
Changes in net assets					887,372	34,174	921,546
Net assets beginning of year					<u>6,781,607</u>	<u>125,864</u>	<u>6,907,471</u>
Net assets end of year					<u>\$ 7,668,979</u>	<u>160,038</u>	<u>7,829,017</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, 2011

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 1,936,980	337,308	154,966	2,429,254
Receivables:				
Property tax:				
Delinquent	34,451	834	9,144	44,429
Succeeding year	1,791,826	43,372	453,196	2,288,394
Income surtax	187,083	-	-	187,083
Accounts	20,886	-	2,502	23,388
Due from other funds	-	11,500	-	11,500
Due from other governments	356,659	207,478	-	564,137
<b>Total assets</b>	<b>\$ 4,327,885</b>	<b>600,492</b>	<b>619,808</b>	<b>5,548,185</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 120,729	1,469	6,113	128,311
Salaries and benefits payable	761,356	-	-	761,356
Due to other funds	-	-	11,500	11,500
Deferred revenue:				
Succeeding year property tax	1,791,826	43,372	453,196	2,288,394
Income surtax	187,083	-	-	187,083
Other	125,311	-	-	125,311
<b>Total liabilities</b>	<b>2,986,305</b>	<b>44,841</b>	<b>470,809</b>	<b>3,501,955</b>
Fund balances:				
Restricted for:				
Categorical funding	318,947	-	-	318,947
Debt service	-	-	2,331	2,331
Management levy purposes	-	-	78,402	78,402
Student activities	-	-	63,587	63,587
School infrastructure	-	535,960	-	535,960
Physical plant and equipment	-	19,691	-	19,691
Special purposes	-	-	4,679	4,679
Unassigned	1,022,633	-	-	1,022,633
<b>Total fund balances</b>	<b>1,341,580</b>	<b>555,651</b>	<b>148,999</b>	<b>2,046,230</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,327,885</b>	<b>600,492</b>	<b>619,808</b>	<b>5,548,185</b>

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, 2011

<b>Total fund balances of governmental funds(page 20)</b>		\$ 2,046,230
 <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.		7,906,825
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		187,063
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.		(5,081)
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>(2,466,058)</u>
<b>Net assets of governmental activities(page 18)</b>		<u><u>\$ 7,668,979</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, 2011

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 1,895,815	501,274	455,090	2,852,179
Tuition	398,469	-	-	398,469
Other	187,818	9,358	254,938	452,114
State sources	4,141,801	31	345	4,142,177
Federal sources	631,010	103,432	-	734,442
Total revenues	<u>7,254,913</u>	<u>614,095</u>	<u>710,373</u>	<u>8,579,381</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,403,514	-	10,937	2,414,451
Special	1,148,670	-	-	1,148,670
Other	1,058,202	-	253,976	1,312,178
	<u>4,610,386</u>	<u>-</u>	<u>264,913</u>	<u>4,875,299</u>
Support services:				
Student	138,733	-	-	138,733
Instructional staff	293,062	8,260	-	301,322
Administration	620,979	-	16,837	637,816
Operation and maintenance of plant	469,624	18,203	101,638	589,465
Transportation	477,841	-	14,114	491,955
	<u>2,000,239</u>	<u>26,463</u>	<u>132,589</u>	<u>2,159,291</u>
Non-instructional programs	894	-	-	894
Other expenditures:				
Facilities acquisitions	-	648,649	-	648,649
Long-term debt:				
Principal	-	-	165,000	165,000
Interest and fiscal charges	-	-	183,704	183,704
AEA flowthrough	281,671	-	-	281,671
	<u>281,671</u>	<u>648,649</u>	<u>348,704</u>	<u>1,279,024</u>
Total expenditures	<u>6,893,190</u>	<u>675,112</u>	<u>746,206</u>	<u>8,314,508</u>
Excess(deficiency) of revenues over(under) expenditures	361,723	(61,017)	(35,833)	264,873
Other financing sources(uses):				
Transfer in	-	49,768	2,000	51,768
Transfer out	(9,735)	(2,000)	(40,268)	(52,003)
Payment to escrow agent	-	-	(2,225,000)	(2,225,000)
Sale of equipment	3,253	-	-	3,253
Total other financing sources(uses)	<u>(6,482)</u>	<u>47,768</u>	<u>(2,263,268)</u>	<u>(2,221,982)</u>
Net change in fund balances	355,241	(13,249)	(2,299,101)	(1,957,109)
Fund balances beginning of year, as restated	986,339	568,900	2,448,100	4,003,339
Fund balances end of year	<u>\$ 1,341,580</u>	<u>555,651</u>	<u>148,999</u>	<u>2,046,230</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (1,957,109)

**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	\$ 798,721	
Depreciation expense	(339,035)	
Loss on disposal of capital assets	(935)	458,751

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. 2,390,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 11,678

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. 18,886

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	10,937	
Other postemployment benefits	(45,771)	(34,834)

**Changes in net assets of governmental activities(page 19) \$ 887,372**

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 135,176
Inventories	19,442
Capital assets, net of accumulated depreciation	38,245
<b>Total assets</b>	<u>192,863</u>
<b>Liabilities</b>	
Accounts payable	18,992
Salaries and benefits payable	6,580
Unearned revenue	1,554
Net OPEB liability	5,699
<b>Total liabilities</b>	<u>32,825</u>
<b>Net Assets</b>	
Invested in capital assets	38,245
Unrestricted	121,793
<b>Total net assets</b>	<u>\$ 160,038</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, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 161,245
Miscellaneous	1,218
Total operating revenues	162,463
 Operating expenses:	
Support services:	
Administration	75
Operation and maintenance of plant	3,756
	3,831
 Non-instructional programs:	
Food service operations:	
Salaries	158,093
Benefits	66,688
Services	1,033
Supplies	203,215
Other	670
Depreciation	6,161
	435,860
Total operating expenses	439,691
 Operating loss	(277,228)
 Non-operating revenues:	
State sources	3,595
Federal sources	307,749
Interest income	58
Total non-operating revenues	311,402
 Change in net assets	34,174
 Net assets beginning of year	125,864
 Net assets end of year	\$ 160,038

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 163,924
Cash received from miscellaneous	1,218
Cash payments to employees for services	(215,558)
Cash payments to suppliers for goods or services	(155,822)
Net cash used by operating activities	(206,238)
Cash flows from non-capital financing activities:	
State grants received	3,595
Federal grants received	277,154
Net cash provided by non-capital financing activities	280,749
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(19,641)
Cash flows from investing activities:	
Interest on investments	58
Net increase in cash and cash equivalents	54,928
Cash and cash equivalents at beginning of year	80,248
Cash and cash equivalents at end of year	\$ 135,176
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (277,228)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	30,595
Depreciation	6,161
Decrease in inventories	3,340
Decrease in accounts receivable	2,751
Increase in accounts payable	18,992
Increase in salaries and benefits payable	6,580
Decrease in unearned revenue	(72)
Increase in net OPEB liability	2,643
Net cash used by operating activities	\$ (206,238)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2011, the District received \$30,595 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 29,968
<b>Liabilities</b>	
Accounts payable	1,321
<b>Net Assets</b>	
Reserved for scholarships	\$ 28,647

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,890
Interest income	2,234
Other local revenue	1,030
Total additions	5,154
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,259
Other	51,321
Total deductions	55,580
Net loss before other financing sources	(50,426)
Other financing sources:	
Transfer in	235
Change in net assets	(50,191)
Net assets beginning of year	78,838
Net assets end of year	\$ 28,647

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. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following 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.

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

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

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, 2011 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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, the District amended their budget one time to reclassify expenditures. During the year ended June 30, 2011, expenditures exceeded amounts budgeted in the other expenditures functional area.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education 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, 2011, the District had no investments.

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

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

Receivable Fund	Payable Fund	Amount
Capital Projects, Statewide Sales, Services and Use Tax	Debt Service	\$ 11,500

The Debt Service Fund is repaying the Capital Projects, Statewide Sales, Services and Use Tax Fund for cash borrowed to cover part of debt payment until tax receipts were received.

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$ 2,000
Capital Projects, Statewide Sales, Services and Use Tax	General Support Trust	9,500 40,268
Private Purpose Trust	General	235
Total		\$ 52,003

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 General Fund and Support Trust Fund transferred monies to the Capital Projects, Statewide Sales, Services and Use Tax Fund for various school infrastructure projects.

The General Fund transferred monies to the Private Purpose Trust Fund to be used for scholarships.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 29,300	-	-	29,300
Construction in progress	-	34,083	-	34,083
Total capital assets not being depreciated	<u>29,300</u>	<u>34,083</u>	<u>-</u>	<u>63,383</u>
Capital assets being depreciated:				
Buildings	9,738,043	516,702	-	10,254,745
Land improvements	218,644	85,720	-	304,364
Machinery and equipment	2,250,714	162,216	285,197	2,127,733
Total capital assets being depreciated	<u>12,207,401</u>	<u>764,638</u>	<u>285,197</u>	<u>12,686,842</u>
Less accumulated depreciation for:				
Buildings	2,858,547	212,200	-	3,070,747
Land improvements	164,314	6,301	-	170,615
Machinery and equipment	1,765,766	120,534	284,262	1,602,038
Total accumulated depreciation	<u>4,788,627</u>	<u>339,035</u>	<u>284,262</u>	<u>4,843,400</u>
Total capital assets being depreciated, net	<u>7,418,774</u>	<u>425,603</u>	<u>935</u>	<u>7,843,442</u>
Governmental activities capital assets, net	<u>\$ 7,448,074</u>	<u>459,686</u>	<u>935</u>	<u>7,906,825</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 234,902	19,641	20,115	234,428
Less accumulated depreciation	210,137	6,161	20,115	196,183
Business type activities capital assets, net	<u>\$ 24,765</u>	<u>13,480</u>	<u>-</u>	<u>38,245</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 41,200
Support services:	
Instructional staff	1,141
Administration	23,019
Transportation	55,174
	<u>120,534</u>
Unallocated depreciation	<u>218,501</u>
Total governmental activities depreciation expense	<u>\$ 339,035</u>
Business type activities:	
Food services	<u>\$ 6,161</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,730,000	-	2,390,000	2,340,000	215,000
Early Retirement	38,280	-	10,937	27,343	10,937
Net OPEB liability	52,944	45,771	-	98,715	-
Total	<u>\$ 4,821,224</u>	<u>45,771</u>	<u>2,400,937</u>	<u>2,466,058</u>	<u>225,937</u>
Business type activities:					
Net OPEB liability	\$ 3,056	2,643	-	5,699	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonds indebtedness are as follows:

Year Ended June 30,	Bond Issue of April 8, 2010			
	Interest Rates	Principal	Interest	Total
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	2.600	225,000	47,197	272,197
2017	2.900	235,000	41,348	276,348
2018	3.150	240,000	34,532	274,532
2019	3.350	250,000	26,973	276,973
2020	3.500	255,000	18,597	273,597
2021	3.650	265,000	9,673	274,673
Total		<u>\$ 2,340,000</u>	<u>407,273</u>	<u>2,747,273</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$5,080 per year with a maximum of five years or until the employee reaches age sixty-five. Early retirement benefits paid during the year ended June 30, 2011, 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.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$247,406, \$266,529, and \$254,622, respectively, equal to the required contributions for each year.

**(8) 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, 2011, 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	2,520
Adjustment to annual required contribution	(2,106)
Annual OPEB cost	<u>76,414</u>
Contributions made	<u>(28,000)</u>
Increase in net OPEB obligation	48,414
Net OPEB obligation beginning of year	<u>56,000</u>
Net OPEB obligation end of year	<u><u>\$ 104,414</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$28,000 to the medical plan. Plan members eligible for the plan contributed \$31,000 or 52.54% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 76,000	26.32%	\$ 56,000
June 30, 2011	76,414	36.64%	104,414

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$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 \$2,857,133 and the ratio of the UAAL to covered payroll was 20.48%. As of June 30, 2011, there were no trust fund assets.

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

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

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

**(9) 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.

**(10) 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 \$281,671 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

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

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 14,570
Gifted and Talented Programs	82,952
Returning Dropouts and Dropout Prevention Programs	132,879
Four-year-old Preschool State Aid	18,944
Beginning Teacher Mentoring and Induction Program	924
Teacher Salary Supplement	39,357
Professional Development for Model Core Curriculum	25,570
Professional Development	3,751
Total	\$ 318,947

**(13) Accounting Change/Restatement**

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously stated	\$ 532,748	36,152
Change in fund type classification per implementation of GASB Statement No. 54	36,152	(36,152)
Balances July 1, 2010, as restated	\$ 568,900	-

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,702,762	162,521	3,865,283	3,844,684	3,844,684	20,599
State sources	4,142,177	3,595	4,145,772	4,533,257	4,533,257	(387,485)
Federal sources	734,442	307,749	1,042,191	842,108	842,108	200,083
Total revenues	<u>8,579,381</u>	<u>473,865</u>	<u>9,053,246</u>	<u>9,220,049</u>	<u>9,220,049</u>	<u>(166,803)</u>
Expenditures/expenses:						
Instruction	4,875,299	-	4,875,299	5,799,697	5,799,697	924,398
Support services	2,159,291	3,831	2,163,122	2,321,721	2,521,721	358,599
Non-instructional	894	435,860	436,754	559,523	559,523	122,769
Other expenditures	1,279,024	-	1,279,024	1,704,550	939,022	(340,002)
Total expenditures/expenses	<u>8,314,508</u>	<u>439,691</u>	<u>8,754,199</u>	<u>10,385,491</u>	<u>9,819,963</u>	<u>1,065,764</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	264,873	34,174	299,047	(1,165,442)	(599,914)	898,961
Other financing sources, net	(2,221,982)	-	(2,221,982)	3,000	3,000	(2,224,982)
Excess(deficiency) of revenues over(under) expenditures/expenses	(1,957,109)	34,174	(1,922,935)	(1,162,442)	(596,914)	(1,326,021)
Balances beginning of year	4,003,339	125,864	4,129,203	1,894,023	1,894,023	2,235,180
Balances end of year	<u>\$ 2,046,230</u>	<u>160,038</u>	<u>2,206,268</u>	<u>731,581</u>	<u>1,297,109</u>	<u>909,159</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment adjusting budget Expenditures by \$565,528.

During the year ended June 30, 2011, expenditures in the other expenditures 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%
2011	July 1, 2009	-	585,000	585,000	0.00%	2,857,133	20.48%

See Note 8 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

OTHER SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue					Total Nonmajor
	Student Activity	Manage- ment Levy	Support Trust	Special Revenue	Debt Service	
<b>Assets</b>						
Cash and pooled investments	\$ 67,147	74,662	4,679	146,488	8,478	154,966
Receivables:						
Property tax:						
Delinquent	-	3,791	-	3,791	5,353	9,144
Succeeding year	-	190,000	-	190,000	263,196	453,196
Accounts	2,502	-	-	2,502	-	2,502
<b>Total assets</b>	<b>\$ 69,649</b>	<b>268,453</b>	<b>4,679</b>	<b>342,781</b>	<b>277,027</b>	<b>619,808</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 6,062	51	-	6,113	-	6,113
Due to other funds	-	-	-	-	11,500	11,500
Deferred revenue:						
Succeeding year property tax	-	190,000	-	190,000	263,196	453,196
<b>Total liabilities</b>	<b>6,062</b>	<b>190,051</b>	<b>-</b>	<b>196,113</b>	<b>274,696</b>	<b>470,809</b>
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	2,331	2,331
Management levy purposes	-	78,402	-	78,402	-	78,402
Student activities	63,587	-	-	63,587	-	63,587
Special purposes	-	-	4,679	4,679	-	4,679
<b>Total fund balances</b>	<b>63,587</b>	<b>78,402</b>	<b>4,679</b>	<b>146,668</b>	<b>2,331</b>	<b>148,999</b>
<b>Total liabilities and fund balances</b>	<b>\$ 69,649</b>	<b>268,453</b>	<b>4,679</b>	<b>342,781</b>	<b>277,027</b>	<b>619,808</b>

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, 2011

	Special Revenue					Total Nonmajor
	Student Activity	Manage- ment Levy	Support Trust	Total Special Revenue	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ -	188,662	-	188,662	266,428	455,090
Other	241,926	9,121	555	251,602	3,336	254,938
State sources	-	143	-	143	202	345
Total revenues	<u>241,926</u>	<u>197,926</u>	<u>555</u>	<u>440,407</u>	<u>269,966</u>	<u>710,373</u>
Expenditures:						
Current:						
Instruction:						
Regular	-	10,937	-	10,937	-	10,937
Other	253,976	-	-	253,976	-	253,976
Support services:						
Administration	-	16,837	-	16,837	-	16,837
Operation and maintenance of plant	-	101,638	-	101,638	-	101,638
Transportation	-	14,114	-	14,114	-	14,114
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	165,000	165,000
Interest and fiscal charges	-	-	-	-	183,704	183,704
Total expenditures	<u>253,976</u>	<u>143,526</u>	<u>-</u>	<u>397,502</u>	<u>348,704</u>	<u>746,206</u>
Excess(deficiency) of revenues over(under) expenditures	(12,050)	54,400	555	42,905	(78,738)	(35,833)
Other financing sources(uses):						
Transfer in	-	-	-	-	2,000	2,000
Transfer out	-	-	(40,268)	(40,268)	-	(40,268)
Payment to escrow agent	-	-	-	-	(2,225,000)	(2,225,000)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(40,268)</u>	<u>(40,268)</u>	<u>(2,223,000)</u>	<u>(2,263,268)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(12,050)	54,400	(39,713)	2,637	(2,301,738)	(2,299,101)
Fund balances beginning of year, as restated	<u>75,637</u>	<u>24,002</u>	<u>44,392</u>	<u>144,031</u>	<u>2,304,069</u>	<u>2,448,100</u>
Fund balances end of year	<u>\$ 63,587</u>	<u>78,402</u>	<u>4,679</u>	<u>146,668</u>	<u>2,331</u>	<u>148,999</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 316,982	20,326	337,308
Receivables:			
Property tax:			
Delinquent	-	834	834
Succeeding year	-	43,372	43,372
Due from other funds	11,500	-	11,500
Due from other governments	207,478	-	207,478
<b>Total assets</b>	<b>\$ 535,960</b>	<b>64,532</b>	<b>600,492</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	1,469	1,469
Deferred revenue:			
Succeeding year property tax	-	43,372	43,372
<b>Total liabilities</b>	<b>-</b>	<b>44,841</b>	<b>44,841</b>
Fund balances:			
Restricted for:			
School infrastructure	535,960	-	535,960
Physical plant and equipment	-	19,691	19,691
<b>Total fund balances</b>	<b>535,960</b>	<b>19,691</b>	<b>555,651</b>
<b>Total liabilities and fund balances</b>	<b>\$ 535,960</b>	<b>64,532</b>	<b>600,492</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 459,786	41,488	501,274
Other	7,087	2,271	9,358
State sources	-	31	31
Federal sources	103,432	-	103,432
Total revenues	<u>570,305</u>	<u>43,790</u>	<u>614,095</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	8,260	8,260
Operation and maintenance of plant	-	18,203	18,203
Other expenditures:			
Facilities acquisitions	614,861	33,788	648,649
Total expenditures	<u>614,861</u>	<u>60,251</u>	<u>675,112</u>
Deficiency of revenues under expenditures	(44,556)	(16,461)	(61,017)
Other financing sources(uses):			
Transfer in	49,768	-	49,768
Transfer out	(2,000)	-	(2,000)
Total other financing sources(uses)	<u>47,768</u>	<u>-</u>	<u>47,768</u>
Net change in fund balances	3,212	(16,461)	(13,249)
Fund balances beginning of year, as restated	<u>532,748</u>	<u>36,152</u>	<u>568,900</u>
Fund balances end of year	<u>\$ 535,960</u>	<u>19,691</u>	<u>555,651</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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<b>Athletics:</b>					
Basketball	\$ 10,630	9,320	7,452	(3,069)	9,429
Track	231	66	1,930	1,633	-
Golf	(293)	1,905	2,205	593	-
Football	204	18,600	13,825	(431)	4,548
Baseball and Fundraiser	(786)	4,835	5,698	1,649	-
Wrestling	(367)	3,825	3,869	503	92
Volleyball	1,393	2,568	1,713	-	2,248
Softball and Fundraiser	2,864	5,331	6,527	(1,551)	117
Girls Bowling	148	45	31	-	162
General Athletics	1,641	88	2,210	1,041	560
Season Passes	95	1,700	-	(1,795)	-
Girls Basketball Camp	2,216	5,019	5,183	951	3,003
Boys Basketball Camp	476	4,536	3,880	(1)	1,131
Football Camp	1,115	6,327	8,978	1,536	-
Wrestling Camp	-	2,241	2,169	-	72
Volleyball Camp	-	1,983	1,569	-	414
	<u>19,567</u>	<u>68,389</u>	<u>67,239</u>	<u>1,059</u>	<u>21,776</u>
<b>Athletic Support:</b>					
Cheerleaders	-	1,601	2,441	840	-
Drill Team	168	1,631	1,639	-	160
	<u>168</u>	<u>3,232</u>	<u>4,080</u>	<u>840</u>	<u>160</u>
<b>Clubs:</b>					
Timber	735	-	154	-	581
Cardinal Athletics	589	28	-	-	617
International Club	1,457	318	186	-	1,589
Student Resale	(271)	7,313	7,081	39	-
TSA Club	669	13,067	11,450	-	2,286
Drama/Play Club	4,943	3,458	2,361	-	6,040
Spanish Club	442	269	114	-	597
Speech Club	-	7	149	142	-
National Honor Society	3,632	-	162	545	4,015
SADD	1,821	642	1,104	-	1,359
Academic Bowl	-	180	204	24	-
Weight Club	1,209	3,630	3,886	-	953
MOB	730	2,710	2,068	-	1,372
Music Boosters	1,088	1,242	1,630	-	700
Go Ape	2,762	5,459	6,922	-	1,299
	<u>19,806</u>	<u>38,323</u>	<u>37,471</u>	<u>750</u>	<u>21,408</u>
<b>Graduation Classes:</b>					
Class of 2010	351	-	-	(351)	-
Class of 2011	1,708	-	-	(1,708)	-
Class of 2012	399	7,485	5,912	-	1,972
Class of 2013	335	360	-	-	695
Class of 2014	-	200	29	-	171
Class of 2015	-	7,252	8,332	1,408	328
	<u>2,793</u>	<u>15,297</u>	<u>14,273</u>	<u>(651)</u>	<u>3,166</u>

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	917	51,801	51,797	-	921
FCCLA	209	1,141	1,173	-	177
	<u>1,126</u>	<u>52,942</u>	<u>52,970</u>	<u>-</u>	<u>1,098</u>
Yearbook:					
Annual	<u>5,317</u>	<u>4,845</u>	<u>5,348</u>	<u>-</u>	<u>4,814</u>
Student Councils:					
HS Student Council	544	1,561	1,387	-	718
MS Student Council	4	295	36	-	263
	<u>548</u>	<u>1,856</u>	<u>1,423</u>	<u>-</u>	<u>981</u>
JR/SR Awards:					
Awards	(457)	214	2,522	3,585	820
Middle School Fund Raiser	2,027	7,094	7,521	-	1,600
	<u>1,570</u>	<u>7,308</u>	<u>10,043</u>	<u>3,585</u>	<u>2,420</u>
Band/Chorus/Art:					
Music Trip	26,312	17,612	36,832	(1,156)	5,936
Instrumental Music	-	300	1,263	963	-
Vocal Music	-	-	193	193	-
	<u>26,312</u>	<u>17,912</u>	<u>38,288</u>	<u>-</u>	<u>5,936</u>
Miscellaneous Accounts:					
Pepsi	1	99	-	(100)	-
Mountain Dew	-	156	-	(156)	-
Pepsi-Café	88	588	-	(676)	-
Fall Concessions	(2)	13,480	10,755	(2,723)	-
Winter Concessions	200	11,312	8,648	(2,860)	4
Summer Concessions	(1,860)	5,932	3,438	1,189	1,823
Interest	3	255	-	(257)	1
	<u>(1,570)</u>	<u>31,822</u>	<u>22,841</u>	<u>(5,583)</u>	<u>1,828</u>
Total	<u>\$ 75,637</u>	<u>241,926</u>	<u>253,976</u>	<u>-</u>	<u>63,587</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2011

		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	Chad Decker	Total
		Scholarship	Scholarship	Scholarship	Memorial	Memorial	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	
<b>Assets</b>													
Cash and pooled investments	\$	300	1,531	6,103	5,475	10,006	500	2,768	1,321	501	423	1,040	29,968
<b>Liabilities</b>													
Accounts payable		-	-	-	-	-	-	-	1,321	-	-	-	1,321
<b>Net Assets</b>													
Reserved for scholarships	\$	300	1,531	6,103	5,475	10,006	500	2,768	-	501	423	1,040	28,647

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, 2011

	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	Paul Vaughn Scholarship	Chad Decker Scholarship	
Additions:													
Local sources:													
Gifts and contributions	\$ -	-	-	-	-	-	-	-	-	500	300	1,090	1,890
Interest	-	174	127	117	207	500	21	1,088	-	-	-	-	2,234
Other local revenue	-	-	-	-	-	-	-	-	-	1,030	-	-	1,030
Total additions	-	174	127	117	207	500	21	1,088	-	1,530	300	1,090	5,154
Deductions:													
Instruction:													
Regular:													
Scholarships awarded	100	268	200	200	400	1,000	100	-	100	1,541	300	50	4,259
Other	-	-	-	-	-	-	-	51,321	-	-	-	-	51,321
Total deductions	100	268	200	200	400	1,000	100	51,321	100	1,541	300	50	55,580
Excess(deficiency) of revenues over(under) expenditures	(100)	(94)	(73)	(83)	(193)	(500)	(79)	(50,233)	(100)	(11)	-	1,040	(50,426)
Other financing sources:													
Transfers in	-	-	-	-	235	-	-	-	-	-	-	-	235
Changes in net assets	(100)	(94)	(73)	(83)	42	(500)	(79)	(50,233)	(100)	(11)	-	1,040	(51,231)
Net assets beginning of year	400	1,625	6,176	5,558	9,964	1,000	2,847	50,233	601	434	-	-	78,838
Net assets end of year	\$ 300	1,531	6,103	5,475	10,006	500	2,768	-	501	423	-	1,040	28,647

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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,852,179	2,583,949	2,503,149	2,348,093	1,825,892	2,274,413	2,215,502	2,128,583
Tuition	398,469	290,701	335,722	287,073	205,594	157,034	211,635	250,447
Other	452,114	459,777	497,025	435,878	977,751	404,421	292,025	366,257
Intermediate sources	-	-	-	-	-	-	3,500	9,534
State sources	4,142,177	3,730,488	4,122,242	4,184,634	4,012,375	3,881,688	3,824,180	3,711,395
Federal sources	734,442	1,106,801	775,335	354,877	350,165	366,308	990,892	1,022,247
<b>Total</b>	<b>\$ 8,579,381</b>	<b>8,171,716</b>	<b>8,233,473</b>	<b>7,610,555</b>	<b>7,371,777</b>	<b>7,083,864</b>	<b>7,537,734</b>	<b>7,488,463</b>
Expenditures:								
Instruction:								
Regular	\$ 2,414,451	2,962,760	3,584,369	2,116,372	2,080,081	2,111,738	2,011,434	1,861,672
Special	1,148,670	1,080,114	401,003	1,361,384	1,373,325	1,375,313	1,183,551	1,701,382
Other	1,312,178	651,225	743,410	1,118,937	1,155,003	1,097,039	1,010,720	587,880
Support services:								
Student	138,733	132,480	131,405	128,839	137,913	137,510	185,335	156,971
Instructional staff	301,322	267,068	312,658	245,886	210,221	176,916	148,074	112,165
Administration	637,816	668,077	738,026	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant	589,465	587,342	572,399	590,346	545,868	570,804	500,877	442,197
Transportation	491,955	469,517	411,817	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	894	781	586	374	-	24,190	355,901	443,482
Other expenditures:								
Facilities acquisitions	648,649	804,990	255,371	741,155	68,395	146,308	443,849	782,391
Long-term debt:								
Principal	165,000	160,000	155,000	145,000	140,000	135,000	130,000	125,000
Interest	183,704	124,275	130,862	137,025	142,975	148,712	154,238	159,450
AEA flow-through	281,671	280,012	253,488	245,664	239,906	232,901	226,161	229,347
<b>Total</b>	<b>\$ 8,314,508</b>	<b>8,188,641</b>	<b>7,690,394</b>	<b>7,925,384</b>	<b>7,214,489</b>	<b>7,192,175</b>	<b>7,414,601</b>	<b>7,611,947</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Agriculture:			
Emergency Community Water Assistance Grants	10.766	FY 11	\$ <u>39,121</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	68,879
National School Lunch Program	10.555	FY 11	<u>212,343</u> *
			<u>281,222</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	FY 11	<u>14,766</u>
Fresh Fruit and Vegetable Program	10.582	FY 11	<u>11,761</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	14,308
Title I Grants to Local Educational Agencies	84.010	FY 11	207,266
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	<u>57,509</u>
			<u>279,083</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>11,061</u>
Educational Technology State Grants	84.318	FY 11	<u>964</u>
Special Education - State Personnel Development	84.323	FY 11	<u>381</u>
Rural Education	84.358	FY 11	<u>18,282</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>55,395</u>
Education Jobs Fund	84.410	FY 11	<u>47,652</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>4,427</u>
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	49,233
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 11	19,120
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY 11	<u>31,827</u>
			<u>100,180</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
U.S. Department of Education(continued):			
Green Valley Area Education Agency 14:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 11	37,740
Special Education - Grants to States, Recovery Act	84.391	FY 10	26,742
			<u>64,482</u>
Mathematics and Science Partnerships	84.366	FY 10	<u>450</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY 11	<u>64,312</u>
Total			<u>\$ 993,539</u>

\* -Includes \$30,595 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)**

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

To the Board of Education of  
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 a material weakness and other deficiencies we consider to be a significant deficiency.

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-11 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-11 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

March 1, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

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

Compliance

We have audited Central Decatur Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Central Decatur Community School District's major federal programs for the year ended June 30, 2011. Central Decatur Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Central Decatur Community School District's management. Our responsibility is to express an opinion on Central Decatur Community School District's compliance based on our audit.

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

In our opinion, Central Decatur Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 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 a 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-11 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.

March 1, 2012

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**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:
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.391 - ARRA - Title I Grants to Local Educational Agencies, 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, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - District will review internal control structure to identify an alternative that will create desired segregation of duties and will implement as possible.

Conclusion - Response accepted.

II-B-11 Purchase Orders - The District currently uses purchase orders in the purchasing process; however we noted that purchase orders from the Activity Fund were being completed after the product had been ordered.

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

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

Response - District will review procedures with building administrative staff to ensure that all disbursements are approved prior to purchase.

Conclusion - Response accepted.

**OTHER MATTERS:**

II-C-11 Board Policies - We noted during our audit the District has not updated their board policies as required by Department of Education. The policies are to be reviewed and updated at least every 5 years.

Recommendation - The District should review their board policies in place and make any necessary updates to be compliant.

Response - District is aware of this compliance and is reviewing board policy in order to meet the standard.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

None noted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education**

**CFDA Number 84.010 – Title I Grants to Local Educational Agencies  
CFDA Number 84.389 – ARRA - Title I Grants to Local Educational Agencies, Recovery Act  
Federal Award Year: 2010/2011  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - District will review internal control structure to identify an alternative that will create desired segregation of duties and will implement as possible.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the amounts budgeted in the other expenditures functional area.

Recommendation - The District should monitor their budget and appropriately amend it before disbursements are allowed to exceed budgeted amounts.

Response - The District will monitor our budget and appropriately amend it before disbursements are allowed to exceed budgeted amounts.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Frost, Board President Owner of Leon NAPA Auto Parts	Auto Parts	\$2,101
Dan Christensen, Teacher Owns Christensen Mowing	Purchased Service	\$13,318

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Dan Christensen do 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, do not appear to represent a conflict of interest as the \$2,500 limit to Board Members was not exceeded.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

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

IV-G-11 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The total number of students certified was overstated by 4.0 students.

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

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 532,748
Revenues:		
Sales tax revenues	\$ 459,786	
Other local revenues	7,087	
Federal revenues	103,432	
Transfers from other funds	49,768	<u>620,073</u>
		1,152,821
Expenditures/transfers out:		
School infrastructure construction	\$ 540,473	
Other	74,388	
Transferred to other funds:		
Debt service fund	<u>2,000</u>	<u>616,861</u>
Ending Balance		<u><u>\$ 535,960</u></u>

For the year ended June 30, 2011, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.01580	\$ 2,000

IV-M-11 Transfers - We noted the General Fund transferred \$235 to the Private Purpose Trust Fund to be used for scholarships.

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

Response - District will review future proceeds from scholarship fundraising or scholarship donations and place and expend from the Private Purpose Trust Fund.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

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

Response - District will make determinations on a monthly basis to determine if checks need to be voided, reissued or submitted to the State Treasurer.

Conclusion - Response accepted.

IV-O-11 McMorris Scholarship - We noted during our audit that the District returned \$51,321 from the McMorris Scholarship account to the South Central Iowa Community Foundation at the request of the original donor. According to terms of the donation, the District was to invest funds in order to generate enough return to award a \$2,000 scholarship per year. If the District failed to meet the terms of the agreement, the original donor could request the return of funds.

Recommendation - In determining whether to accept donations for scholarship awards, the District may want to consider the reality of expectations outlined in the terms of the donation. The District does not have to accept the donation if expectations appear unrealistic.

The donor can outline criteria for who should receive the scholarship, but ultimate control of funds for the scholarship are under the financial control of the District's Board of Education once the donation is given to the District. Proper accounting of all receipts and expenditures for the scholarship is the responsibility of the Board of Education and the District's Board Secretary.

The District should contact legal counsel for resolution of this matter.

Response - The District has contacted legal counsel. Upon legal counsel's advisement, the funds were returned to the original donor because with the decline in interest rates and the limited number of investment vehicles the District can invest funds, the District was not generating enough return to pay a \$2,000 per year scholarship according to terms of the original donation.

Conclusion - Response accepted. The District should issue a 1099 to the original donor. At the time the donation was given to the District, the donor received tax return benefits. Now that the funds have been returned, the funds would be considered as income to the original donor.