

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Mike Frost	President	2011
Igor Takacs	Vice President	2011
Mike Stuck	Board Member	2013
Rose Saxton	Board Member	2013
Jack Parsons	Board Member	2011
Board of Education (After September 2011 Election)		
Igor Takacs	President	2015
Mike Stuck	Vice President	2013
Rose Saxton	Board Member	2013
Shaun Schaff	Board Member	2015
Ray Bishop	Board Member	2015
School Officials		
Chris Coffelt	Superintendent	2012
Becky Wood	Business Manager/ Board Secretary	2012
Verle Norris Law Firm	Attorney	2012

Central Decatur Community School District

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, 2012, 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 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, 2012, 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 26, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 the financial statements for the previous eight years ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Decatur Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,258,166 in fiscal 2011 to \$7,439,558 in fiscal 2012, while General Fund expenditures increased from \$6,902,925 in fiscal 2011 to \$7,287,430 in fiscal 2012. The District's General Fund balance increased from \$1,341,580 in fiscal 2011 to a balance of \$1,493,708 in fiscal 2012, an 11.34% increase over the prior year.
- The increase in General Fund revenues is attributable to an increase in local tax and state sources in fiscal 2012. The increase in expenditures is mainly attributable to the increase in salaries and benefits received by District employees.

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.

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

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

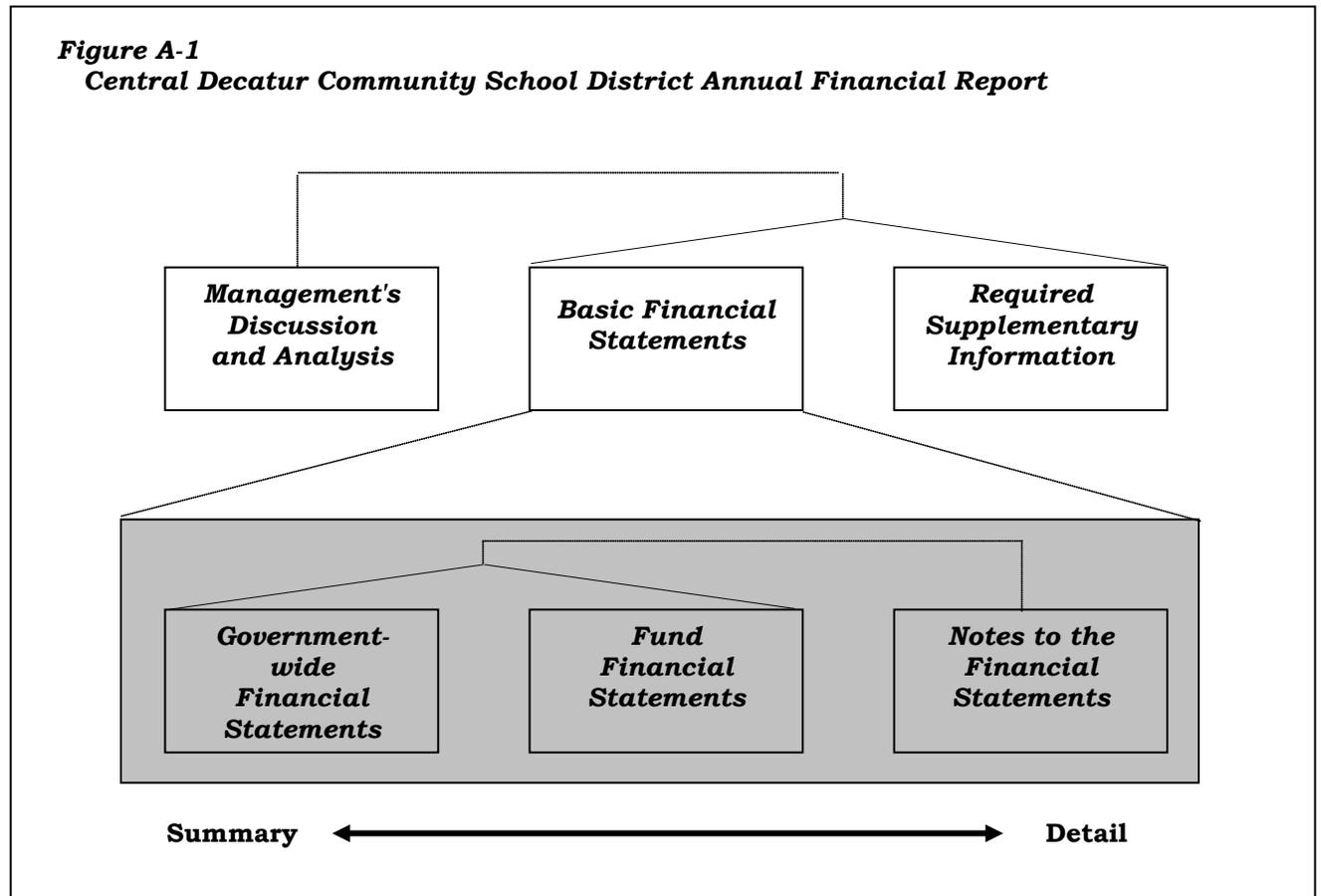


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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 net assets, statement of revenues, expenses and changes in fund 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, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,531,576	5,536,665	171,658	154,618	5,703,234	5,691,283	0.21%
Capital assets	7,847,410	7,906,825	35,912	38,245	7,883,322	7,945,070	-0.78%
Total assets	13,378,986	13,443,490	207,570	192,863	13,586,556	13,636,353	-0.37%
Long-term obligations	2,287,175	2,466,058	8,417	5,699	2,295,592	2,471,757	-7.13%
Other liabilities	3,108,669	3,308,453	18,028	27,126	3,126,697	3,335,579	-6.26%
Total liabilities	5,395,844	5,774,511	26,445	32,825	5,422,289	5,807,336	-6.63%
Net assets:							
Invested in capital assets, net of related debt	5,722,410	5,566,825	35,912	38,245	5,758,322	5,605,070	2.73%
Restricted	982,198	996,254	-	-	982,198	996,254	-1.41%
Unrestricted	1,278,534	1,105,900	145,213	121,793	1,423,747	1,227,693	15.97%
Total net assets	\$ 7,983,142	7,668,979	181,125	160,038	8,164,267	7,829,017	4.28%

The District's combined net assets increased by 4.28%, or \$335,250, 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 \$14,056, or 1.41% from the prior year. The decrease in restricted net assets can be attributed to the decrease in fund balance for the Capital Projects accounts.

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 \$196,054, or 15.97%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues & Transfers:							
Program revenues:							
Charges for service	\$ 701,708	818,111	160,557	161,245	862,265	979,356	-11.96%
Operating grants, contributions and restricted interest	1,443,401	1,401,411	323,890	311,344	1,767,291	1,712,755	3.18%
Capital grants, contributions and restricted interest	-	103,832	-	-	-	103,832	-100.00%
General revenues:							
Property tax	2,273,690	2,211,337	-	-	2,273,690	2,211,337	2.82%
Income surtax	174,473	192,734	-	-	174,473	192,734	-9.47%
Statewide sales, services and use tax	505,997	459,786	-	-	505,997	459,786	10.05%
Unrestricted state grants	3,374,127	3,238,109	-	-	3,374,127	3,238,109	4.20%
Nonspecific program federal revenue	106,501	147,832	-	-	106,501	147,832	-27.96%
Unrestricted investment earnings	3,663	13,769	20	58	3,683	13,827	-73.36%
Other	157,639	7,391	-	1,218	157,639	8,609	1731.10%
Transfers	-	(235)	-	-	-	(235)	-100.00%
Total revenues & transfers	<u>8,741,199</u>	<u>8,594,077</u>	<u>484,467</u>	<u>473,865</u>	<u>9,225,666</u>	<u>9,067,942</u>	<u>1.74%</u>
Program expenses:							
Instructional	5,107,095	4,861,226	-	-	5,107,095	4,861,226	5.06%
Support services	2,761,829	2,167,451	988	3,831	2,762,817	2,171,282	27.24%
Non-instructional programs	333	894	462,392	435,860	462,725	436,754	5.95%
Other expenses	557,779	677,134	-	-	557,779	677,134	-17.63%
Total expenses	<u>8,427,036</u>	<u>7,706,705</u>	<u>463,380</u>	<u>439,691</u>	<u>8,890,416</u>	<u>8,146,396</u>	<u>9.13%</u>
Changes in net assets	314,163	887,372	21,087	34,174	335,250	921,546	-63.62%
Beginning 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>
Ending net assets	<u>\$ 7,983,142</u>	<u>7,668,979</u>	<u>181,125</u>	<u>160,038</u>	<u>8,164,267</u>	<u>7,829,017</u>	<u>4.28%</u>

In fiscal year 2012, property tax and unrestricted state grants accounted for 64.61% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for nearly all of the business type activities revenue.

The District's total revenues were approximately \$9.23 million, of which approximately \$8.74 million was for governmental activities and approximately \$0.49 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.74% increase in revenues and a 9.13% increase in expenses. The increase in revenues was largely a result of increased unrestricted state grant revenues. The increase in expenses is a result of increased salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$8,741,199 and expenses were \$8,427,036. 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, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,107,095	4,861,226	5.06%	3,292,526	2,949,371	11.63%
Support services	2,761,829	2,167,451	27.42%	2,681,130	2,146,474	24.91%
Non-instructional programs	333	894	-62.75%	333	894	-62.75%
Other expenses	557,779	677,134	-17.63%	307,938	286,612	7.44%
Totals	<u>\$ 8,427,036</u>	<u>7,706,705</u>	<u>9.35%</u>	<u>6,281,927</u>	<u>5,383,351</u>	<u>16.69%</u>

- The cost financed by users of the District's programs was \$701,708.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,443,401.
- The net cost of governmental activities was financed with \$2,273,690 in property tax, \$174,473 in income surtax, \$505,997 in statewide sales, services and use tax, \$3,374,127 in unrestricted state grants, \$106,501 in nonspecific program federal revenues, \$3,663 in interest income and \$157,639 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$484,467 and expenses were \$463,380. 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 balances of \$2,246,789; an increase from last year's ending fund balances of \$2,046,230. The increase in combined fund balances is mainly attributable to the increase in ending fund balance for the General Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$1,341,580 in fiscal 2011 to \$1,493,708 in fiscal 2012. The increase was due in part to increased revenues from local tax and state sources.
- The Capital Projects Fund balance decreased from a balance of \$555,651 at June 30, 2011 to an ending balance of \$533,754 at June 30, 2012. The Capital Projects Fund received significantly less in federal grant revenue for school infrastructure projects as compared to the previous year.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$160,038 at June 30, 2011 to \$181,125 at June 30, 2012, representing an increase of 13.18%. The District received an increase of \$12,161 in federal revenue sources in fiscal 2012.

BUDGETARY HIGHLIGHTS

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

The District's revenues were \$48,302 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with 5% added as to not exceed the budget. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7,883,322, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.78% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$438,024.

The original cost of the District's capital assets was \$13,066,150. Governmental funds account for \$12,802,894 with the remainder of \$263,256 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2012, compared to \$34,083 reported at June 30, 2011. The reduction in construction in progress is due to the completion of construction of a new pressbox.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Construction in progress	-	34,083	-	-	-	34,083	-100.00%
Buildings	7,058,332	7,183,998	-	-	7,058,332	7,183,998	-1.75%
Land improvements	123,161	133,749	-	-	123,161	133,749	-7.92%
Machinery and equipment	636,617	525,695	35,912	38,245	672,529	563,940	19.26%
Total	\$ 7,847,410	7,906,825	35,912	38,245	7,883,322	7,945,070	-0.78%

Long-Term Debt

At June 30, 2012, the District had \$2,295,592 in general obligation and other long-term debt outstanding. This represents a decrease of 7.13% 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 \$2,125,000 at June 30, 2012.

The District had total outstanding Early Retirement payable of \$16,406 at June 30, 2012.

The District had total net OPEB liability of \$154,186 at June 30, 2012.

Figure A-7
Outstanding Long-Term Debt Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
General Obligation Bonds	\$ 2,125,000	2,340,000	-	-	2,125,000	2,340,000	-9.19%
Early Retirement	16,406	27,343	-	-	16,406	27,343	-40.00%
Net OPEB Liability	145,769	98,715	8,417	5,699	154,186	104,414	47.67%
Total	\$ 2,287,175	2,466,058	8,417	5,699	2,295,592	2,471,757	-7.13%

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.
- On July 1, 2012, the IPERS increase to 8.67% will increase the Central Decatur Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal year 2014.

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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,605,520	149,553	2,755,073
Receivables:			
Property tax:			
Delinquent	39,147	-	39,147
Succeeding year	2,111,218	-	2,111,218
Income surtax	181,053	-	181,053
Accounts	972	-	972
Due from other governments	593,666	6,398	600,064
Inventories	-	15,707	15,707
Capital assets, net of accumulated depreciation	7,847,410	35,912	7,883,322
Total Assets	13,378,986	207,570	13,586,556
Liabilities			
Accounts payable	175,870	-	175,870
Salaries and benefits payable	816,646	15,525	832,171
Accrued interest payable	4,935	-	4,935
Deferred revenue:			
Succeeding year property tax	2,111,218	-	2,111,218
Unearned revenues	-	2,503	2,503
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	215,000	-	215,000
Early retirement payable	5,469	-	5,469
Portion due after one year:			
General obligation bonds payable	1,910,000	-	1,910,000
Early retirement payable	10,937	-	10,937
Net OPEB liability	145,769	8,417	154,186
Total Liabilities	5,395,844	26,445	5,422,289
Net Assets			
Invested in capital assets, net of related debt	5,722,410	35,912	5,758,322
Restricted for:			
Categorical funding	245,523	-	245,523
Debt service	834	-	834
Management levy purposes	116,889	-	116,889
Student activities	80,406	-	80,406
Special purposes	4,792	-	4,792
School infrastructure	518,634	-	518,634
Physical plant and equipment	15,120	-	15,120
Unrestricted	1,278,534	145,213	1,423,747
Total Net Assets	\$ 7,983,142	181,125	8,164,267

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants,		Govern- mental Activities	Business Type Activities	Total
		Charges for Service	Contributions and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,570,025	333,171	71,525	(2,165,329)	-	(2,165,329)
Special	1,191,598	64,844	121,855	(1,004,899)	-	(1,004,899)
Other	1,345,472	223,783	999,391	(122,298)	-	(122,298)
	<u>5,107,095</u>	<u>621,798</u>	<u>1,192,771</u>	<u>(3,292,526)</u>	<u>-</u>	<u>(3,292,526)</u>
Support services:						
Student	210,891	6,672	-	(204,219)	-	(204,219)
Instructional staff	335,129	-	-	(335,129)	-	(335,129)
Administration	653,929	60,035	-	(593,894)	-	(593,894)
Operation and maintenance of plant	1,025,087	-	-	(1,025,087)	-	(1,025,087)
Transportation	536,793	13,203	789	(522,801)	-	(522,801)
	<u>2,761,829</u>	<u>79,910</u>	<u>789</u>	<u>(2,681,130)</u>	<u>-</u>	<u>(2,681,130)</u>
Non-instructional programs:						
Other operations	333	-	-	(333)	-	(333)
Long-term debt interest	62,049	-	-	(62,049)	-	(62,049)
Other expenditures:						
AEA flowthrough	249,841	-	249,841	-	-	-
Depreciation(unallocated)*	245,889	-	-	(245,889)	-	(245,889)
	<u>495,730</u>	<u>-</u>	<u>249,841</u>	<u>(245,889)</u>	<u>-</u>	<u>(245,889)</u>
Total governmental activities	8,427,036	701,708	1,443,401	(6,281,927)	-	(6,281,927)
Business type activities:						
Support services:						
Administration	110	-	-	-	(110)	(110)
Operation and maintenance of plant	878	-	-	-	(878)	(878)
	<u>988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(988)</u>	<u>(988)</u>
Non-instructional programs:						
Food service operations	462,392	160,557	323,890	-	22,055	22,055
Total business type activities	<u>463,380</u>	<u>160,557</u>	<u>323,890</u>	<u>-</u>	<u>21,067</u>	<u>21,067</u>
Total	\$ 8,890,416	862,265	1,767,291	(6,281,927)	21,067	(6,260,860)
General Revenues:						
Property tax for:						
General purposes				\$ 1,969,093	-	1,969,093
Debt service				261,504	-	261,504
Capital outlay				43,093	-	43,093
Income surtax				174,473	-	174,473
Statewide sales, services and use tax				505,997	-	505,997
Unrestricted state grants				3,374,127	-	3,374,127
Nonspecific program federal revenue				106,501	-	106,501
Unrestricted investment earnings				3,663	20	3,683
Other				157,639	-	157,639
Total general revenues				<u>6,596,090</u>	<u>20</u>	<u>6,596,110</u>
Changes in net assets				314,163	21,087	335,250
Net assets beginning of year				<u>7,668,979</u>	<u>160,038</u>	<u>7,829,017</u>
Net assets end of year				<u>\$ 7,983,142</u>	<u>181,125</u>	<u>8,164,267</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, 2012

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 2,048,447	320,763	236,310	2,605,520
Receivables:				
Property tax:				
Delinquent	30,652	742	7,753	39,147
Succeeding year	1,649,949	40,546	420,723	2,111,218
Income surtax	181,053	-	-	181,053
Accounts	703	-	269	972
Due from other funds	-	7,100	-	7,100
Due from other governments	372,423	221,243	-	593,666
Total Assets	\$ 4,283,227	590,394	665,055	5,538,676
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	-	7,100	7,100
Accounts payable	141,871	16,094	17,905	175,870
Salaries and benefits payable	816,646	-	-	816,646
Deferred revenue:				
Succeeding year property tax	1,649,949	40,546	420,723	2,111,218
Income surtax	181,053	-	-	181,053
Total liabilities	<u>2,789,519</u>	<u>56,640</u>	<u>445,728</u>	<u>3,291,887</u>
Fund balances:				
Restricted for:				
Categorical funding	245,523	-	-	245,523
Debt service	-	-	834	834
Management levy purposes	-	-	133,295	133,295
Student activities	-	-	80,406	80,406
Special purposes	-	-	4,792	4,792
School infrastructure	-	518,634	-	518,634
Physical plant and equipment	-	15,120	-	15,120
Unassigned	1,248,185	-	-	1,248,185
Total fund balances	<u>1,493,708</u>	<u>533,754</u>	<u>219,327</u>	<u>2,246,789</u>
Total Liabilities and Fund Balances	\$ 4,283,227	590,394	665,055	5,538,676

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, 2012

Total fund balances of governmental funds(page 20)		\$ 2,246,789
 <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.		7,847,410
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		181,053
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.		(4,935)
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>(2,287,175)</u>
Net assets of governmental activities(page 18)		<u><u>\$ 7,983,142</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, 2012

	General	Capital Projects	Total Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,960,796	549,090	450,284	2,960,170
Tuition	338,415	-	-	338,415
Other	227,737	582	315,521	543,840
State sources	4,403,563	30	317	4,403,910
Federal sources	500,874	-	-	500,874
Total revenues	<u>7,431,385</u>	<u>549,702</u>	<u>766,122</u>	<u>8,747,209</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,599,378	-	10,937	2,610,315
Special	1,190,642	-	-	1,190,642
Other	1,073,277	-	290,382	1,363,659
	<u>4,863,297</u>	<u>-</u>	<u>301,319</u>	<u>5,164,616</u>
Support services:				
Student	209,259	-	-	209,259
Instructional staff	330,002	2,395	-	332,397
Administration	632,755	-	9,064	641,819
Operation and maintenance of plant	472,589	49,351	106,792	628,732
Transportation	529,354	22,530	15,424	567,308
	<u>2,173,959</u>	<u>74,276</u>	<u>131,280</u>	<u>2,379,515</u>
Non-instructional programs:				
Other operations	333	-	-	333
Capital outlay	-	483,323	-	483,323
Long-term debt:				
Principal	-	-	215,000	215,000
Interest and fiscal charges	-	-	62,195	62,195
	<u>-</u>	<u>-</u>	<u>277,195</u>	<u>277,195</u>
Other expenditures:				
AEA flowthrough	249,841	-	-	249,841
Total expenditures	<u>7,287,430</u>	<u>557,599</u>	<u>709,794</u>	<u>8,554,823</u>
Excess(Deficiency) of revenues over(under) expenditures	143,955	(7,897)	56,328	192,386
Other financing sources(uses):				
Transfer in	-	-	14,000	14,000
Transfer out	-	(14,000)	-	(14,000)
Sale of equipment	8,173	-	-	8,173
Total other financing sources(uses)	<u>8,173</u>	<u>(14,000)</u>	<u>14,000</u>	<u>8,173</u>
Net change in fund balances	152,128	(21,897)	70,328	200,559
Fund balances beginning of year	1,341,580	555,651	148,999	2,046,230
Fund balances end of year	<u>\$ 1,493,708</u>	<u>533,754</u>	<u>219,327</u>	<u>2,246,789</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 200,559

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

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

Capital outlays	\$ 365,472	
Depreciation expense	(406,863)	
Loss on disposal of capital assets	<u>(18,024)</u>	(59,415)

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. 215,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (6,010)

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. 146

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	<u>(47,054)</u>	<u>(36,117)</u>

Changes in net assets of governmental activities(page 19) \$ 314,163

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2012

	School Nutrition
Assets	
Cash and pooled investments	\$ 149,553
Due from other governments	6,398
Inventories	15,707
Capital assets, net of accumulated depreciation	35,912
Total Assets	207,570
 Liabilities	
Salaries and benefits payable	15,525
Unearned revenue	2,503
Net OPEB liability	8,417
Total Liabilities	26,445
 Net Assets	
Invested in capital assets	35,912
Unrestricted	145,213
Total Net Assets	\$ 181,125

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, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 160,557
Operating expenses:	
Support services:	
Administration:	
Services	110
Operation and maintenance of plant:	
Services	878
	988
Non-instructional programs:	
Food service operations:	
Salaries	174,049
Benefits	75,078
Services	1,348
Supplies	180,160
Other	596
Depreciation	31,161
	462,392
Total operating expenses	463,380
Operating loss	(302,823)
Non-operating revenues:	
State sources	3,980
Federal sources	319,910
Interest income	20
Total non-operating revenues	323,910
Change in net assets	21,087
Net assets beginning of year	160,038
Net assets end of year	\$ 181,125

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 161,506
Cash payments to employees for services	(237,464)
Cash payments to suppliers for goods or services	(171,023)
Net cash used in operating activities	(246,981)
Cash flows from non-capital financing activities:	
State grants received	3,980
Federal grants received	286,186
Net cash provided by non-capital financing activities	290,166
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(28,828)
Cash flows from investing activities:	
Interest on investments	20
Net increase in cash and cash equivalents	14,377
Cash and cash equivalents at beginning of year	135,176
Cash and cash equivalents at end of year	\$ 149,553
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (302,823)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,326
Depreciation	31,161
Decrease in inventories	3,735
Decrease in accounts payable	(18,992)
Increase in salaries and benefits payable	8,945
Increase in unearned revenue	949
Increase in other postemployment benefits	2,718
Net cash used in operating activities	\$ (246,981)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received federal commodities of \$27,326.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 27,817
Liabilities	-
Net Assets	
Restricted for scholarships	\$ 27,817

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	2,544
Interest income		121
Total additions		2,665
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		2,500
Supplies		995
Total deductions		3,495
Change in net assets		(830)
Net assets beginning of year		28,647
Net assets end of year	\$	27,817

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 1% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due to/Due From Other Funds - 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, 2012 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.

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, 2012, the District amended their budget one time to reclassify expenditures.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 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, 2012, the District had no investments.

(3) Due to and Due From Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	\$ 7,100

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, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 14,000

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for debt relief.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 234,428	28,828	-	263,256
Less accumulated depreciation	196,183	31,161	-	227,344
Business type activities capital assets, net	\$ 38,245	(2,333)	-	35,912

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	-	-	29,300
Construction in progress	34,083	3,579	37,662	-
Total capital assets not being depreciated	63,383	3,579	37,662	29,300
Capital assets being depreciated:				
Buildings	10,254,745	109,635	-	10,364,380
Land improvements	304,364	-	-	304,364
Machinery and equipment	2,127,733	289,920	312,803	2,104,850
Total capital assets being depreciated	12,686,842	399,555	312,803	12,773,594
Less accumulated depreciation for:				
Buildings	3,070,747	235,301	-	3,306,048
Land improvements	170,615	10,588	-	181,203
Machinery and equipment	1,602,038	160,974	294,779	1,468,233
Total accumulated depreciation	4,843,400	406,863	294,779	4,955,484
Total capital assets being depreciated, net	7,843,442	(7,308)	18,024	7,818,110
Governmental activities capital assets, net	\$ 7,906,825	(3,729)	55,686	7,847,410

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 63,327
Other		13,832
Support services:		
Administration		7,168
Operation and maintenance of plant		5,350
Transportation		71,297
		160,974
Unallocated depreciation		245,889
Total governmental activities depreciation expense		\$ 406,863
Business type activities:		
Food services		\$ 31,161

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 2,340,000	-	215,000	2,125,000	215,000
Early Retirement	27,343	-	10,937	16,406	5,469
Net OPEB Liability	98,715	47,054	-	145,769	-
Total	\$ 2,466,058	47,054	225,937	2,287,175	220,469
Business type activities:					
Net OPEB Liability	\$ 5,699	2,718	-	8,417	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonds indebtedness are as follows:

Year Ended June 30,	Bond Issue of April 8, 2010			
	Interest Rates	Principal	Interest	Total
2013	1.50 %	\$ 215,000	59,223	274,223
2014	1.80	220,000	55,997	275,997
2015	2.20	220,000	52,038	272,038
2016	2.60	225,000	47,197	272,197
2017	2.90	235,000	41,348	276,348
2018	3.15	240,000	34,532	274,532
2019	3.35	250,000	26,973	276,973
2020	3.50	255,000	18,597	273,597
2021	3.65	265,000	9,673	274,673
Total		<u>\$ 2,125,000</u>	<u>345,578</u>	<u>2,470,578</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, 2012, 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$342,422, \$247,406, and \$266,529, 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, 2012, 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	4,699
Adjustment to annual required contribution	(3,927)
Annual OPEB cost	<u>76,772</u>
Contributions made	(27,000)
Increase in net OPEB obligation	<u>49,772</u>
Net OPEB obligation beginning of year	<u>104,414</u>
Net OPEB obligation end of year	<u>\$ 154,186</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, 2012.

For the year ended June 30, 2012, the District contributed \$27,000 to the medical plan. Plan members eligible for the plan contributed \$29,000 or 51.79% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 76,000	26.32%	\$ 56,000
2011	76,414	36.64%	104,414
2012	76,772	35.17%	154,186

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$3,150,619 and the ratio of the UAAL to covered payroll was 18.57%. As of June 30, 2012, 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 \$249,841 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 17,338
Gifted and Talented Programs	111,283
Returning Dropouts and Dropout Prevention Programs	52,567
Innovative At-Risk (K-3)	1,425
Beginning Teacher Mentoring and Induction Program	1,080
Teacher Salary Supplement	40,340
Professional Development for Model Core Curriculum	14,809
Professional Development	6,681
Total	<u>\$ 245,523</u>

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,842,425	160,577	4,003,002	3,975,136	3,975,136	27,866
State sources	4,403,910	3,980	4,407,890	4,500,238	4,500,238	(92,348)
Federal sources	500,874	319,910	820,784	708,000	708,000	112,784
Total revenues	<u>8,747,209</u>	<u>484,467</u>	<u>9,231,676</u>	<u>9,183,374</u>	<u>9,183,374</u>	<u>48,302</u>
Expenditures/expenses:						
Instruction	5,164,616	-	5,164,616	5,696,272	5,496,272	331,656
Support services	2,379,515	988	2,380,503	2,488,923	2,538,923	158,420
Non-instructional programs	333	462,392	462,725	481,000	481,000	18,275
Other expenditures	1,010,359	-	1,010,359	1,043,578	1,193,578	183,219
Total expenditures/expenses	<u>8,554,823</u>	<u>463,380</u>	<u>9,018,203</u>	<u>9,709,773</u>	<u>9,709,773</u>	<u>691,570</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	192,386	21,087	213,473	(526,399)	(526,399)	739,872
Other financing sources, net	8,173	-	8,173	5,000	5,000	3,173
Excess(Deficiency) of revenues over(under) expenditures/expenses	200,559	21,087	221,646	(521,399)	(521,399)	743,045
Balances beginning of year	2,046,230	160,038	2,206,268	1,596,411	1,596,411	609,857
Balances end of year	<u>\$ 2,246,789</u>	<u>181,125</u>	<u>2,427,914</u>	<u>1,075,012</u>	<u>1,075,012</u>	<u>1,352,902</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 as a reclassification of expenditures between the functional areas.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 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%
2012	July 1, 2009	-	585,000	585,000	0.00%	3,150,619	18.57%

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

SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				Debt Service	Total Nonmajor Governmental Funds
	Student Activity	Management Levy	Support Trust	Total Special Revenue		
Assets						
Cash and pooled investments	\$ 98,042	130,045	4,792	232,879	3,431	236,310
Receivables:						
Property tax:						
Delinquent	-	3,250	-	3,250	4,503	7,753
Succeeding year	-	160,000	-	160,000	260,723	420,723
Accounts	269	-	-	269	-	269
Total Assets	\$ 98,311	293,295	4,792	396,398	268,657	665,055
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ -	-	-	-	7,100	7,100
Accounts payable	17,905	-	-	17,905	-	17,905
Deferred revenue:						
Succeeding year property tax	-	160,000	-	160,000	260,723	420,723
Total liabilities	17,905	160,000	-	177,905	267,823	445,728
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	834	834
Management levy purposes	-	133,295	-	133,295	-	133,295
Student activities	80,406	-	-	80,406	-	80,406
Special purposes	-	-	4,792	4,792	-	4,792
Total fund balances	80,406	133,295	4,792	218,493	834	219,327
Total Liabilities and Fund Balances	\$ 98,311	293,295	4,792	396,398	268,657	665,055

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, 2012

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds	
	Student Activity	Manage- ment Levy	Support Trust			Total Special Revenue
Revenues:						
Local sources:						
Local tax	\$ -	188,780	-	188,780	261,504	450,284
Other	307,201	8,197	113	315,511	10	315,521
State sources	-	133	-	133	184	317
Total revenues	307,201	197,110	113	504,424	261,698	766,122
Expenditures:						
Current:						
Instruction:						
Regular	-	10,937	-	10,937	-	10,937
Other	290,382	-	-	290,382	-	290,382
Support services:						
Administration	-	9,064	-	9,064	-	9,064
Operation and maintenance of plant	-	106,792	-	106,792	-	106,792
Transportation	-	15,424	-	15,424	-	15,424
Long-term debt:						
Principal	-	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	-	62,195	62,195
Total expenditures	290,382	142,217	-	432,599	277,195	709,794
Excess(Deficiency) of revenues over(under) expenditures	16,819	54,893	113	71,825	(15,497)	56,328
Other financing sources:						
Transfer in	-	-	-	-	14,000	14,000
Net change in fund balances	16,819	54,893	113	71,825	(1,497)	70,328
Fund balances beginning of year	63,587	78,402	4,679	146,668	2,331	148,999
Fund balances end of year	\$ 80,406	133,295	4,792	218,493	834	219,327

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 305,770	14,993	320,763
Receivables:			
Property tax:			
Delinquent	-	742	742
Succeeding year	-	40,546	40,546
Due from other funds	7,100	-	7,100
Due from other governments	221,243	-	221,243
Total Assets	\$ 534,113	56,281	590,394
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,479	615	16,094
Deferred revenue:			
Succeeding year property tax	-	40,546	40,546
Total liabilities	15,479	41,161	56,640
Fund balances:			
Restricted for:			
School infrastructure	518,634	-	518,634
Physical plant and equipment	-	15,120	15,120
Total fund balances	518,634	15,120	533,754
Total Liabilities and Fund Balances	\$ 534,113	56,281	590,394

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, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 505,997	43,093	549,090
Other	580	2	582
State sources	-	30	30
Total revenues	<u>506,577</u>	<u>43,125</u>	<u>549,702</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	2,395	-	2,395
Operation and maintenance of plant	16,191	33,160	49,351
Transportation	18,030	4,500	22,530
Capital outlay	473,287	10,036	483,323
Total expenditures	<u>509,903</u>	<u>47,696</u>	<u>557,599</u>
Deficiency of revenues under expenditures	(3,326)	(4,571)	(7,897)
Other financing uses:			
Transfer out	(14,000)	-	(14,000)
Net change in fund balances	(17,326)	(4,571)	(21,897)
Fund balances beginning of year	<u>535,960</u>	<u>19,691</u>	<u>555,651</u>
Fund balances end of year	<u>\$ 518,634</u>	<u>15,120</u>	<u>533,754</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Athletics:					
Basketball	\$ 9,429	-	9,429	-	-
Track	-	2,194	5,552	3,500	142
Cross Country	-	15	565	550	-
Golf	-	1,712	1,897	185	-
Football	4,548	13,087	17,246	-	389
Baseball and Fundraiser	-	14,852	12,237	-	2,615
Wrestling	92	5,091	5,059	-	124
Volleyball	2,248	2,451	3,478	-	1,221
Softball and Fundraiser	117	11,947	13,075	1,011	-
Girls Bowling	162	572	658	-	76
General Athletics	560	281	2,803	2,481	519
Season Passes	-	2,265	-	(2,265)	-
Girls Basketball Camp	3,003	9,100	9,695	447	2,855
Boys Basketball Camp	1,131	7,162	9,324	1,061	30
Football Camp	-	17,821	14,555	-	3,266
Wrestling Camp	72	2,577	2,630	-	19
Volleyball Camp	414	2,625	2,600	-	439
	<u>21,776</u>	<u>93,752</u>	<u>110,803</u>	<u>6,970</u>	<u>11,695</u>
Athletic Support:					
Cheerleaders	-	2,377	2,066	(156)	155
Drill Team	160	5,065	3,829	-	1,396
	<u>160</u>	<u>7,442</u>	<u>5,895</u>	<u>(156)</u>	<u>1,551</u>
Clubs:					
Timber	581	-	18	-	563
Cardinal Athletics	617	6,763	7,657	867	590
International Club	1,589	138	804	-	923
Student Resale	-	10,338	10,802	464	-
TSA Club	2,286	11,950	12,763	(222)	1,251
Drama/Play Club	6,040	2,244	2,019	-	6,265
Spanish Club	597	183	576	-	204
Speech Club	-	15	321	306	-
National Honor Society	4,015	-	323	(536)	3,156
SADD	1,359	644	884	-	1,119
Academic Bowl	-	338	447	109	-
Weight Club	953	3,614	3,087	-	1,480
MOB	1,372	1,613	3,330	345	-
Music Boosters	700	-	512	-	188
Go Ape	1,299	8,728	7,356	-	2,671
	<u>21,408</u>	<u>46,568</u>	<u>50,899</u>	<u>1,333</u>	<u>18,410</u>
Graduation Classes:					
Class of 2013	695	5,748	4,741	-	1,702
Class of 2014	171	235	-	-	406
Class of 2015	328	285	28	-	585
Class of 2016	1,972	7,648	11,653	2,033	-
	<u>3,166</u>	<u>13,916</u>	<u>16,422</u>	<u>2,033</u>	<u>2,693</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	921	54,494	52,232	-	3,183
FCCLA	177	1,393	2,106	536	-
	<u>1,098</u>	<u>55,887</u>	<u>54,338</u>	<u>536</u>	<u>3,183</u>
Yearbook:					
Annual	<u>4,814</u>	<u>13,625</u>	<u>6,010</u>	<u>-</u>	<u>12,429</u>
Student Councils:					
HS Student Council	718	1,624	2,511	174	5
MS Student Council	263	156	85	-	334
	<u>981</u>	<u>1,780</u>	<u>2,596</u>	<u>174</u>	<u>339</u>
JR/SR Awards:					
Awards	820	-	1,975	2,091	936
Middle School Fund Raiser	1,600	6,734	5,886	-	2,448
	<u>2,420</u>	<u>6,734</u>	<u>7,861</u>	<u>2,091</u>	<u>3,384</u>
Band/Chorus/Art:					
Music Trip	5,936	23,200	13,106	-	16,030
Instrumental Music	-	11,201	(464)	(3,679)	7,986
Vocal Music	-	9	195	186	-
	<u>5,936</u>	<u>34,410</u>	<u>12,837</u>	<u>(3,493)</u>	<u>24,016</u>
Miscellaneous Accounts:					
Pepsi	-	324	-	(324)	-
Pepsi-Café	-	582	-	(494)	88
Fall Concessions	-	8,804	6,892	(1,912)	-
Winter Concessions	4	15,048	11,669	(3,383)	-
Summer Concessions	1,823	7,947	4,160	(2,992)	2,618
Interest	1	382	-	(383)	-
	<u>1,828</u>	<u>33,087</u>	<u>22,721</u>	<u>(9,488)</u>	<u>2,706</u>
Total	<u>\$ 63,587</u>	<u>307,201</u>	<u>290,382</u>	<u>-</u>	<u>80,406</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2012

		Private Purpose Trust - Scholarship Fund										
		Lynch	Bennett	Logsdon	Johnston	McAlwee	Hansel and General	Horn	Carter Nursing	Leeper	Decker	
		Scholarship	Scholarship	Scholarship	Memorial	Memorial	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Total
Assets												
Cash and pooled investments	\$	200	1,537	6,042	5,410	9,547	500	2,618	401	572	990	27,817
Liabilities		-	-	-	-	-	-	-	-	-	-	-
Net Assets												
Restricted for scholarships	\$	200	1,537	6,042	5,410	9,547	500	2,618	401	572	990	27,817

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund											
	Lynch Scholarship	Bennett Scholarship	Logsdon Scholarship	Johnston Memorial	McAlwee Memorial	Hansel and		Carter			Decker Scholarship	Total
						General Scholarship	Horn Scholarship	Nursing Scholarship	Leeper Scholarship	Vaughn Scholarship		
Additions:												
Local sources:												
Gifts and contributions	\$ -	-	-	-	-	500	-	-	1,744	300	-	2,544
Interest income	-	6	39	35	41	-	-	-	-	-	-	121
Total additions	-	6	39	35	41	500	-	-	1,744	300	-	2,665
Deductions:												
Instruction:												
Regular:												
Scholarships awarded	100	-	100	100	500	500	150	100	600	300	50	2,500
Supplies	-	-	-	-	-	-	-	-	995	-	-	995
Total deductions	100	-	100	100	500	500	150	100	1,595	300	50	3,495
Changes in net assets	(100)	6	(61)	(65)	(459)	-	(150)	(100)	149	-	(50)	(780)
Net assets beginning of year	300	1,531	6,103	5,475	10,006	500	2,768	501	423	-	1,040	28,647
Net assets end of year	\$ 200	1,537	6,042	5,410	9,547	500	2,618	401	572	-	990	27,817

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,960,170	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	338,415	398,469	290,701	335,722	287,073	205,594	157,034	211,635	250,447
Other	543,840	452,114	459,777	497,025	435,878	977,751	404,421	292,025	366,257
Intermediate sources	-	-	-	-	-	-	-	3,500	9,534
State sources	4,403,910	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	500,874	734,442	1,106,801	775,335	354,877	350,165	366,308	990,892	1,022,247
Total	\$ 8,747,209	8,579,381	8,171,716	8,233,473	7,610,555	7,371,777	7,083,864	7,537,734	7,488,463
Expenditures:									
Instruction:									
Regular	\$ 2,610,315	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	1,190,642	1,148,670	1,080,114	401,003	1,361,384	1,373,325	1,375,313	1,183,551	1,701,382
Other	1,363,659	1,312,178	651,225	743,410	1,118,937	1,155,003	1,097,039	1,010,720	587,880
Support services:									
Student	209,259	138,733	132,480	131,405	128,839	137,913	137,510	185,335	156,971
Instructional staff	332,397	301,322	267,068	312,658	245,886	210,221	176,916	148,074	112,165
Administration	641,819	637,816	668,077	738,026	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant	628,732	589,465	587,342	572,399	590,346	545,868	570,804	500,877	442,197
Transportation	567,308	491,955	469,517	411,817	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	333	894	781	586	374	-	24,190	355,901	443,482
Capital outlay	483,323	648,649	804,990	255,371	741,155	68,395	146,308	443,849	782,391
Long-term debt:									
Principal	215,000	165,000	160,000	155,000	145,000	140,000	135,000	130,000	125,000
Interest	62,195	183,704	124,275	130,862	137,025	142,975	148,712	154,238	159,450
Other expenditures:									
AEA flow-through	249,841	281,671	280,012	253,488	245,664	239,906	232,901	226,161	229,347
Total	\$ 8,554,823	8,314,508	8,188,641	7,690,394	7,925,384	7,214,489	7,192,175	7,414,601	7,611,947

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	77,200
National School Lunch Program	10.555	FY 12	219,294 *
Summer Food Service Program for Children	10.559	FY 12	9,814
			306,308
Fresh Fruit and Vegetable Program	10.582	FY 12	13,602
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 11	6,254
Title I Grants to Local Educational Agencies	84.010	FY 12	189,376
Title I Grants to Local Educational Agencies, Schools in Need of Assistance(SINA)	84.010	FY 12	12,868
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 11	14,563
			223,061
Twenty-First Century Community Learning Centers	84.287	FY 12	1,771
Rural Education	84.358	FY 12	14,512
Improving Teacher Quality State Grants	84.367	FY 12	44,181
Education Jobs Fund	84.410	FY 11	87,932
Education Jobs Fund	84.410	FY 12	2,007
			89,939
Grants for State Assessments and Related Activities	84.369	FY 12	4,446
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 11	16,562
Green Valley Area Education Agency 14: Special Education - Grants to States	84.027	FY 12	37,972
Enhancing Education Through Technology	84.318	FY 12	801
Mathematics and Science Partnerships	84.366	FY 12	500
Bedford Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 12	11,231
Mount Ayr Community School District:			
Special Education - State Personnel Development	84.323	FY 12	1,056
Total			\$ 765,942

* - Includes \$27,326 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. 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

The management of Central Decatur Community School District is responsible for establishing and maintaining effective 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 an 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 significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement 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-12 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 items II-B-12 to be 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, 2012 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. This report is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Compliance
with Requirements 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
Central Decatur Community School District:

Compliance

We have audited the compliance of Central Decatur Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that 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, 2012. 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 to each of its major federal programs for the year ended June 30, 2012.

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 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-12 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 III of the accompanying Schedule of Findings and Questioned Costs as item III-B-12 to be significant deficiency.

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. This report is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 26, 2013

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a 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 significant deficiency and 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 disclose 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 10.559 - Summer Food Service Program for Children

 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies, Schools in Need of Assistance(SINA)
 - CFDA Number 84.389 - 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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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-12 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.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2012
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 84.010 - Title I Grants to Local Educational Agencies,
Schools in Need of Assistance(SINA)
CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011 & 2012
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-12 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.

III-B-12 Title I - We noted during our audit that a teacher with no reading certification on her teacher's license had her salary coded as Title I expenditures.

Recommendation - The District needs to review Title I teaching requirements for teachers. Teachers that do not have the proper certifications to be Title I teachers should not have salary coded to that grant.

Response - The District will take appropriate steps to ensure all staff has the appropriate endorsements/certifications for the position in which they have been assigned and have salary coded appropriately.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amounts budgeted.
- IV-B-12 Questionable Disbursements - We noted during our audit that gift cards were given to students as prizes at the post prom. Gift cards given to students for this purpose do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.
- Response - District will review this issue with Activities/Athletic Director and appropriate staff, reviewing appropriate procedures regarding public purpose and discontinue use of gift cards.
- Conclusion - Response accepted.

IV-C-12 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-12 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	\$799
Dan Christensen, Teacher Owns Christensen Mowing	Purchased Service	\$13,688

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.

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.

- IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 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 .05 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-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 535,960
Revenues:		
Sales tax revenues	\$ 505,997	
Other local revenues	580	506,577
		<u>1,042,537</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 381,781	
Equipment	65,380	
Other	62,742	
Transferred to other funds:		
Debt service fund	14,000	523,903
		<u>523,903</u>
Ending Balance		<u>\$ 518,634</u>

For the year ended June 30, 2012, 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	\$ 0.10652	\$ 14,000

IV-M-12 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation of the Nutrition Fund 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 1st.

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.