

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 18
Statement of Activities	B 19
Governmental Fund Financial Statements:	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
Proprietary Fund Financial Statements:	
Statement of Net Position	G 24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-39
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	42
Notes to Required Supplementary Information - Budgetary Reporting	43
Schedule of Funding Progress for the Retiree Health Plan	44
Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 47
Capital Projects Accounts:	
Combining Balance Sheet	3 48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 50-51
Private Purpose Trust - Scholarship Fund:	
Combining Statement of Fiduciary Net Position	6 52
Combining Statement of Changes in Fiduciary Net Position	7 53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8 54
Schedule of Expenditures of Federal Awards	9 55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56-57
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Federal Awards Required by OMB Circular A-133	58-59
Schedule of Findings and Questioned Costs	60-65

Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	2013
Becky Wood	Business Manager/ Board Secretary	2013
Verle Norris Law Firm	Attorney	2013

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 the Central Decatur Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District, Leon, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District at June 30, 2013, 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.

Other Matters

Required Supplementary Information

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Decatur Tama Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014, on our consideration of Central Decatur Tama 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,439,558 in fiscal 2012 to \$7,366,547 in fiscal 2013, while General Fund expenditures increased from \$7,287,430 in fiscal 2012 to \$7,619,459 in fiscal 2013. The District's General Fund balance decreased from \$1,493,708 in fiscal 2012 to a balance of \$1,240,796 in fiscal 2013, a 16.93% decrease from the prior year.
- The decrease in General Fund revenues is attributable to a decrease in local tax source revenues in fiscal 2013. The increase in expenditures is mainly attributable to an increase in negotiated salaries and benefits paid to 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 Position 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 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.

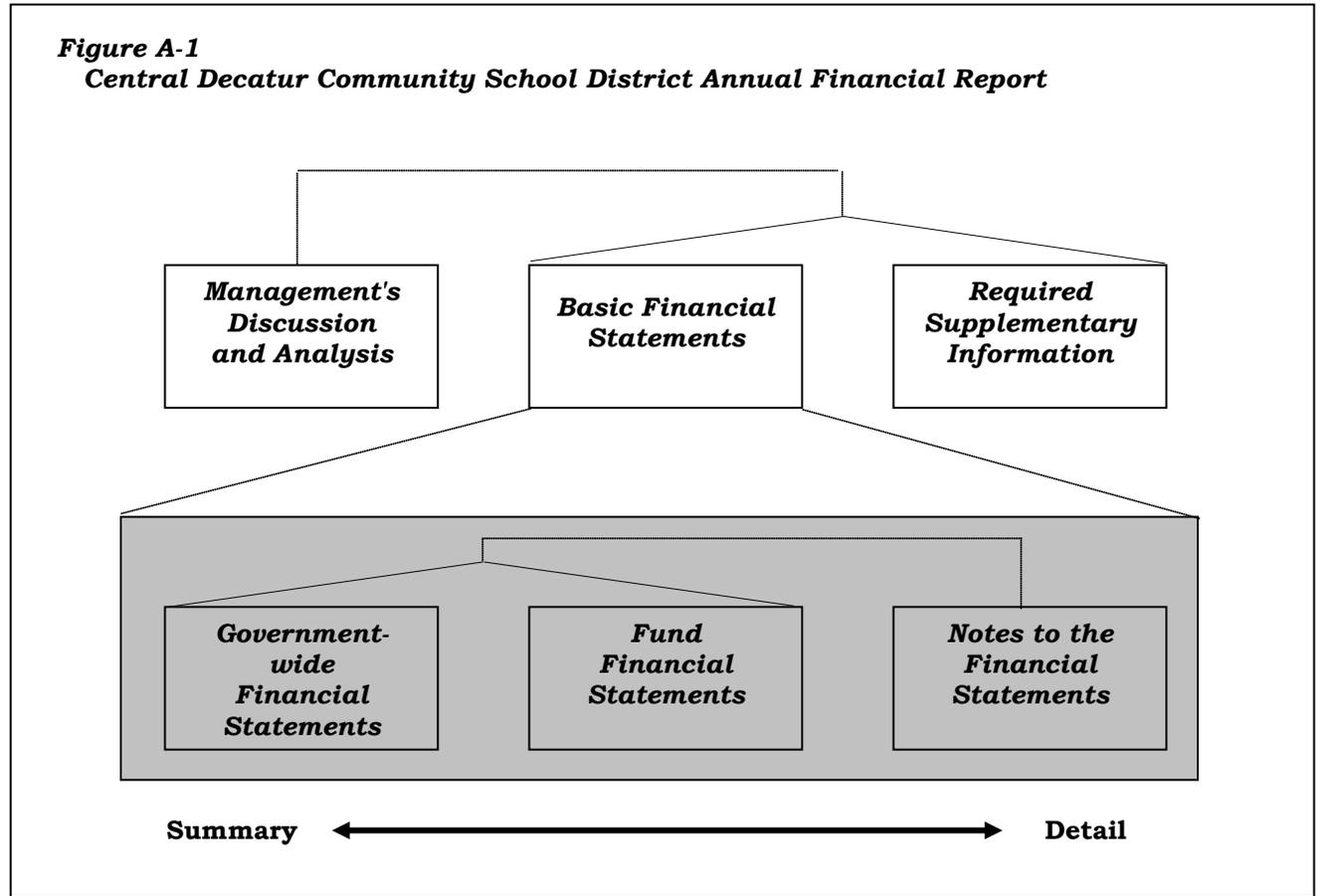


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets 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 position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,291,352	5,531,576	121,755	171,658	5,413,107	5,703,234	-5.09%
Capital assets	8,053,100	7,847,410	33,272	35,912	8,086,372	7,883,322	2.58%
Total assets	13,344,452	13,378,986	155,027	207,570	13,499,479	13,586,556	-0.64%
Long-term obligations	2,246,168	2,287,175	7,671	8,417	2,253,839	2,295,592	-1.82%
Other liabilities	3,132,901	3,108,669	22,697	18,028	3,155,598	3,126,697	0.92%
Total liabilities	5,379,069	5,395,844	30,368	26,445	5,409,437	5,422,289	-0.24%
Net position:							
Invested in capital assets, net of related debt	6,143,100	5,722,410	33,272	35,912	6,176,372	5,758,322	7.26%
Restricted	854,063	982,198	-	-	854,063	982,198	-13.05%
Unrestricted	968,220	1,278,534	91,387	145,213	1,059,607	1,423,747	-25.58%
Total net position	\$ 7,965,383	7,983,142	124,659	181,125	8,090,042	8,164,267	-0.91%

The District's combined net position decreased by 0.91%, or approximately \$74,225 from the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$128,135, or 13.05% from the prior year. The decrease in restricted net position can be attributed to the decrease in the restricted fund balance for the Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by \$364,140, or 25.58%. The reduction can be attributable to the decrease in the General Fund fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for service	\$ 773,646	701,708	157,227	160,557	930,873	862,265	7.96%
Operating grants, contributions and restricted interest	1,099,416	1,443,401	333,270	323,890	1,432,686	1,767,291	-18.93%
General revenues:							
Property tax	2,111,782	2,273,690	-	-	2,111,782	2,273,690	-7.12%
Income surtax	186,410	174,473	-	-	186,410	174,473	6.84%
Statewide sales, services and use tax	556,227	505,997	-	-	556,227	505,997	9.93%
Unrestricted state grants	3,915,418	3,374,127	-	-	3,915,418	3,374,127	16.04%
Nonspecific program federal revenue	-	106,501	-	-	-	106,501	-100.00%
Unrestricted investment earnings	4,197	3,663	12	20	4,209	3,683	14.28%
Other	28,386	157,639	404	-	28,790	157,639	-81.74%
Total revenues	8,675,482	8,741,199	490,913	484,467	9,166,395	9,225,666	-0.64%
Program expenses:							
Instructional	5,229,882	5,107,095	-	-	5,229,882	5,107,095	2.40%
Support services	2,916,220	2,761,829	3,090	988	2,919,310	2,762,817	5.66%
Non-instructional programs	10,952	333	544,289	462,392	555,241	462,725	19.99%
Other expenses	536,187	557,779	-	-	536,187	557,779	-3.87%
Total expenses	8,693,241	8,427,036	547,379	463,380	9,240,620	8,890,416	3.94%
Changes in net position	(17,759)	314,163	(56,466)	21,087	(74,225)	335,250	-122.14%
Beginning net position	7,983,142	7,668,979	181,125	160,038	8,164,267	7,829,017	4.28%
Ending net position	\$ 7,965,383	7,983,142	124,659	181,125	8,090,042	8,164,267	-0.91%

In fiscal year 2013, property tax, income surtax and unrestricted state grants accounted for 71.62% 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 \$9.17 million, of which approximately \$8.68 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 0.64% decrease in revenues and a 3.94% increase in expenses. The decrease in revenues was largely a result of a decrease in property tax revenues. The increase in expenses is a result of an increase in negotiated salaries and benefits paid to District employees.

Governmental Activities

Revenues for governmental activities were \$8,675,482 and expenses were \$8,693,241.

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, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 5,229,882	5,107,095	2.40%	3,737,440	3,292,526	13.51%
Support services	2,916,220	2,761,829	5.59%	2,785,307	2,681,130	3.89%
Non-instructional programs	10,952	333	3188.89%	10,952	333	3188.89%
Other expenses	536,187	557,779	-3.87%	286,480	307,938	-6.97%
Totals	\$ 8,693,241	8,427,036	3.16%	6,820,179	6,281,927	8.57%

- The cost financed by users of the District's programs was \$773,646.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,099,416.
- The net cost of governmental activities was financed with \$2,111,782 in property tax, \$186,410 in income surtax, \$556,227 in statewide sales, services and use tax, \$3,915,418 in unrestricted state grants, \$4,197 in interest income and \$28,386 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$490,913 and expenses were \$547,379. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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 \$1,982,703; a decrease from last year's ending fund balances of \$2,246,789. The decrease in combined fund balances is mainly attributable to the decrease in ending fund balance for the General Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,493,708 in fiscal 2012 to \$1,240,796 in fiscal 2013. The decrease was due in part to a decrease in property tax source revenues and an increase in negotiated salaries and benefits paid to District employees.
- The Capital Projects Fund balance decreased from a balance of \$533,754 at June 30, 2012 to an ending balance of \$530,248 at June 30, 2013. The decrease in the Capital Projects Fund is attributable to the technology purchases the District made in the current year.

Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$181,125 at June 30, 2012 to \$124,659 at June 30, 2013, representing a decrease of 31.18%. The decrease can be attributed to the increase in food costs to the District in fiscal 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, Central Decatur Community School District amended its budget one time to reflect additional expenditures in the instruction and support services functional areas.

The District's revenues were \$253,000 more than budgeted revenues, a variance of 2.84%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$8,086,372, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.58% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$225,970.

The original cost of the District's capital assets was \$13,709,006. Governmental funds account for \$13,442,927 with the remainder of \$266,079 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$1,046,629 at June 30, 2013, compared to \$672,529 reported at June 30, 2012.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Buildings	6,895,727	7,058,332	-	-	6,895,727	7,058,332	-2.30%
Land improvements	114,716	123,161	-	-	114,716	123,161	-6.86%
Machinery and equipment	1,013,357	636,617	33,272	35,912	1,046,629	672,529	55.63%
Total	\$ 8,053,100	7,847,410	33,272	35,912	8,086,372	7,883,322	2.58%

Long-Term Debt

At June 30, 2013, the District had \$2,253,839 in general obligation and other long-term debt outstanding. This represents a decrease of 1.82% 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 \$1,910,000 at June 30, 2013.
- The District had total outstanding termination benefits payable of \$147,653 at June 30, 2013 payable from the Special Revenue: Management Levy Fund.
- The District had a total net OPEB liability of \$196,186 at June 30, 2013.

Figure A-7
Outstanding Long-Term Debt Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General Obligation Bonds	\$ 1,910,000	2,125,000	-	-	1,910,000	2,125,000	-10.12%
Termination Benefits	147,653	16,406	-	-	147,653	16,406	799.99%
Net OPEB Liability	188,515	145,769	7,671	8,417	196,186	154,186	27.24%
Total	\$ 2,246,168	2,287,175	7,671	8,417	2,253,839	2,295,592	-1.82%

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:

- District student enrollment is a primary consideration in the development of the budget on an annual basis. Historically, the district has experienced a declining enrollment, although student numbers have been relatively stable over the past five years. The District will have to continue to monitor enrollment and adjust staffing ratios accordingly in order to maintain an appropriate spending authority.
- The Iowa Legislature set the state supplementary aid (formerly allowable growth) rate at 4% for Fiscal Year 15. The state supplementary aid rate has not been established for Fiscal Year 16. This uncertainty will impact district decision-making in preparing for next year's budget.

-
- District renewal rates with United Health Care increased by 3.8% for the next school year. Continued increases in benefit rates will impact district finances and staffing. Long-term impact of the Affordable Care Act on the District continues to be evaluated.
 - The District experienced a loss of \$3 million dollars in taxable valuation this past year. Taxable valuations will continue to be monitored, as this has a direct bearing on the district property tax rate.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,348,080	75,064	2,423,144
Receivables:			
Property tax:			
Delinquent	37,791	-	37,791
Succeeding year	2,048,002	-	2,048,002
Income surtax	180,414	-	180,414
Due from other funds	1,281	20,872	22,153
Accounts	8,894	-	8,894
Due from other governments	666,890	10,077	676,967
Inventories	-	15,742	15,742
Capital assets, net of accumulated depreciation	8,053,100	33,272	8,086,372
Total Assets	13,344,452	155,027	13,499,479
Liabilities			
Due to other funds	20,872	-	20,872
Accounts payable	191,994	4,587	196,581
Salaries and benefits payable	819,429	15,183	834,612
Accrued interest payable	4,666	-	4,666
Deferred revenue:			
Succeeding year property tax	2,048,002	-	2,048,002
Other	47,938	-	47,938
Unearned revenues	-	2,927	2,927
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Termination benefits payable	59,699	-	59,699
Portion due after one year:			
General obligation bonds payable	1,690,000	-	1,690,000
Termination benefits payable	87,954	-	87,954
Net OPEB liability	188,515	7,671	196,186
Total Liabilities	5,379,069	30,368	5,409,437
Net Position			
Invested in capital assets, net of related debt	6,143,100	33,272	6,176,372
Restricted for:			
Categorical funding	231,403	-	231,403
Debt service	3,736	-	3,736
Student activities	83,884	-	83,884
Special purposes	4,792	-	4,792
School infrastructure	506,694	-	506,694
Physical plant and equipment	23,554	-	23,554
Unrestricted	968,220	91,387	1,059,607
Total Net Position	\$ 7,965,383	124,659	8,090,042

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,613,035	296,781	120,418	(2,195,836)	-	(2,195,836)
Special	1,263,851	79,536	113,855	(1,070,460)	-	(1,070,460)
Other	1,352,996	328,215	553,637	(471,144)	-	(471,144)
	<u>5,229,882</u>	<u>704,532</u>	<u>787,910</u>	<u>(3,737,440)</u>	<u>-</u>	<u>(3,737,440)</u>
Support services:						
Student	236,722	6,584	-	(230,138)	-	(230,138)
Instructional staff	564,942	-	48,035	(516,907)	-	(516,907)
Administration	656,641	62,230	1,724	(592,687)	-	(592,687)
Operation and maintenance of plant	911,168	-	-	(911,168)	-	(911,168)
Transportation	546,747	300	12,040	(534,407)	-	(534,407)
	<u>2,916,220</u>	<u>69,114</u>	<u>61,799</u>	<u>(2,785,307)</u>	<u>-</u>	<u>(2,785,307)</u>
Non-instructional programs:						
Other operations	10,952	-	-	(10,952)	-	(10,952)
Long-term debt interest	58,954	-	-	(58,954)	-	(58,954)
Other expenditures:						
AEA flowthrough	249,707	-	249,707	-	-	-
Depreciation(unallocated)*	227,526	-	-	(227,526)	-	(227,526)
	<u>477,233</u>	<u>-</u>	<u>249,707</u>	<u>(227,526)</u>	<u>-</u>	<u>(227,526)</u>
Total governmental activities	8,693,241	773,646	1,099,416	(6,820,179)	-	(6,820,179)
Business type activities:						
Support services:						
Administration	160	-	-	-	(160)	(160)
Operation and maintenance of plant	2,930	-	-	-	(2,930)	(2,930)
	<u>3,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,090)</u>	<u>(3,090)</u>
Non-instructional programs:						
Food service operations	544,289	157,227	333,270	-	(53,792)	(53,792)
Total business type activities	<u>547,379</u>	<u>157,227</u>	<u>333,270</u>	<u>-</u>	<u>(56,882)</u>	<u>(56,882)</u>
Total	\$ <u>9,240,620</u>	<u>930,873</u>	<u>1,432,686</u>	<u>(6,820,179)</u>	<u>(56,882)</u>	<u>(6,877,061)</u>
General Revenues:						
Property tax for:						
General purposes				\$ 1,810,439	-	1,810,439
Debt service				260,787	-	260,787
Capital outlay				40,556	-	40,556
Income surtax				186,410	-	186,410
Statewide sales, services and use tax				556,227	-	556,227
Unrestricted state grants				3,915,418	-	3,915,418
Unrestricted investment earnings				4,197	12	4,209
Other				28,386	404	28,790
Total general revenues				<u>6,802,420</u>	<u>416</u>	<u>6,802,836</u>
Change in net position				(17,759)	(56,466)	(74,225)
Net position beginning of year				<u>7,983,142</u>	<u>181,125</u>	<u>8,164,267</u>
Net position end of year				\$ <u>7,965,383</u>	<u>124,659</u>	<u>8,090,042</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, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,839,894	307,960	200,226	2,348,080
Receivables:				
Property tax:				
Delinquent	29,534	726	7,531	37,791
Succeeding year	1,461,882	41,616	544,504	2,048,002
Income surtax	180,414	-	-	180,414
Accounts	725	-	8,169	8,894
Due from other funds	960	-	321	1,281
Due from other governments	396,074	270,816	-	666,890
Total Assets	\$ 3,909,483	621,118	760,751	5,291,352
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	20,872	-	20,872
Accounts payable	159,024	28,382	4,588	191,994
Salaries and benefits payable	819,429	-	-	819,429
Deferred revenue:				
Succeeding year property tax	1,461,882	41,616	544,504	2,048,002
Income surtax	180,414	-	-	180,414
Other	47,938	-	-	47,938
Total liabilities	2,668,687	90,870	549,092	3,308,649
Fund balances:				
Restricted for:				
Categorical funding	231,403	-	-	231,403
Debt service	-	-	8,402	8,402
Management levy purposes	-	-	114,581	114,581
Student activities	-	-	83,884	83,884
Special purposes	-	-	4,792	4,792
School infrastructure	-	506,694	-	506,694
Physical plant and equipment	-	23,554	-	23,554
Unassigned	1,009,393	-	-	1,009,393
Total fund balances	1,240,796	530,248	211,659	1,982,703
Total Liabilities and Fund Balances	\$ 3,909,483	621,118	760,751	5,291,352

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	1,982,703
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,053,100
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		180,414
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.		(4,666)
Long-term liabilities, including general obligation bonds payable, termination benefits 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>(2,246,168)</u>
Net position of governmental activities(page 18)	\$	<u><u>7,965,383</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, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,837,449	596,783	420,826	2,855,058
Tuition	354,838	-	-	354,838
Other	180,137	902	293,262	474,301
State sources	4,485,931	30	316	4,486,277
Federal sources	505,647	-	-	505,647
Total revenues	<u>7,364,002</u>	<u>597,715</u>	<u>714,404</u>	<u>8,676,121</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,723,261	-	32,812	2,756,073
Special	1,238,797	-	-	1,238,797
Other	1,040,772	-	286,137	1,326,909
	<u>5,002,830</u>	<u>-</u>	<u>318,949</u>	<u>5,321,779</u>
Support services:				
Student	231,421	-	-	231,421
Instructional staff	320,189	242,133	-	562,322
Administration	700,424	2,525	3,653	706,602
Operation and maintenance of plant	525,492	108,436	129,552	763,480
Transportation	568,465	-	16,995	585,460
	<u>2,345,991</u>	<u>353,094</u>	<u>150,200</u>	<u>2,849,285</u>
Non-instructional programs:				
Other operations	719	-	-	719
Community Service Operations	10,233	-	-	10,233
	<u>10,952</u>	<u>-</u>	<u>-</u>	<u>10,952</u>
Capital outlay	-	238,556	-	238,556
Long-term debt:				
Principal	-	-	215,000	215,000
Interest and fiscal charges	-	-	59,223	59,223
	<u>-</u>	<u>-</u>	<u>274,223</u>	<u>274,223</u>
Other expenditures:				
AEA flowthrough	249,707	-	-	249,707
Total expenditures	<u>7,609,480</u>	<u>591,650</u>	<u>743,372</u>	<u>8,944,502</u>
Excess(Deficiency) of revenues over(under) expenditures	(245,478)	6,065	(28,968)	(268,381)
Other financing sources(uses):				
Transfer in	-	9,979	21,300	31,279
Transfer out	(9,979)	(21,300)	-	(31,279)
Insurance proceeds	256	1,750	-	2,006
Sale of equipment	2,289	-	-	2,289
Total other financing sources(uses)	<u>(7,434)</u>	<u>(9,571)</u>	<u>21,300</u>	<u>4,295</u>
Change in fund balances	(252,912)	(3,506)	(7,668)	(264,086)
Fund balances beginning of year	1,493,708	533,754	219,327	2,246,789
Fund balances end of year	<u>\$ 1,240,796</u>	<u>530,248</u>	<u>211,659</u>	<u>1,982,703</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, 2013

Change in fund balances - total governmental funds(page 22) \$ (264,086)

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

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

Capital outlays	\$ 689,429	
Depreciation expense	(483,739)	205,690

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 215,000

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (639)

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. 269

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.

Termination benefits	(131,247)	
Other postemployment benefits	(42,746)	(173,993)

Change in net position of governmental activities(page 19) \$ (17,759)

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Cash and pooled investments	\$ 75,064
Due from other funds	20,872
Due from other governments	10,077
Inventories	15,742
Capital assets, net of accumulated depreciation	33,272
Total Assets	155,027
Liabilities	
Accounts payable	4,587
Salaries and benefits payable	15,183
Unearned revenue	2,927
Net OPEB liability	7,671
Total Liabilities	30,368
Net Position	
Invested in capital assets	33,272
Unrestricted	91,387
Total Net Position	\$ 124,659

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 157,227
Miscellaneous	404
Total operating revenues	157,631
Operating expenses:	
Support services:	
Administration:	
Services	160
Operation and maintenance of plant:	
Services	2,930
	3,090
Non-instructional programs:	
Food service operations:	
Salaries	202,043
Benefits	64,442
Services	4,045
Supplies	265,611
Other	679
Depreciation	7,469
	544,289
Total operating expenses	547,379
Operating loss	(389,748)
Non-operating revenues:	
State sources	3,716
Federal sources	329,554
Interest income	12
Total non-operating revenues	333,282
Change in net position	(56,466)
Net position beginning of year	181,125
Net position end of year	\$ 124,659

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 157,651
Cash received from miscellaneous	404
Cash payments to employees for services	(267,573)
Cash payments to suppliers for goods or services	(242,637)
Net cash used in operating activities	(352,155)
Cash flows from non-capital financing activities:	
Interfund loans to other funds	(20,872)
State grants received	3,716
Federal grants received	299,639
Net cash provided by non-capital financing activities	282,483
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,829)
Cash flows from investing activities:	
Interest on investments	12
Net decrease in cash and cash equivalents	(74,489)
Cash and cash equivalents at beginning of year	149,553
Cash and cash equivalents at end of year	\$ 75,064
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (389,748)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,236
Depreciation	7,469
Increase in inventories	(35)
Increase in accounts payable	4,587
Decrease in salaries and benefits payable	(342)
Increase in unearned revenue	424
Decrease in other postemployment benefits	(746)
Net cash used in operating activities	\$ (352,155)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received federal commodities of \$26,236.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 26,660
Accounts receivable	700
Total Assets	<u>27,360</u>
Liabilities	
Due to other funds	<u>1,281</u>
Net Position	
Restricted for scholarships	<u>\$ 26,079</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2013

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	700
Interest income		62
Total additions		762
Deductions:		
Instruction:		
Regular:		
Scholarships awarded		2,500
Change in net position		(1,738)
Net position beginning of year		27,817
Net position end of year	\$	26,079

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position 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 position and changes in net position. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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, 2013 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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 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 position 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 Position in the Proprietary Funds.

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

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 the preceding classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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, 2013, the District expenditures exceeded amounts budgeted in the non-instructional programs functional area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 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, 2013, the District had no investments.

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise: School Nutrition	Capital Projects: Statewide Sales, Services and Use Tax	\$ 20,872
General	Private Purpose Trust	960
Student Activity	Private Purpose Trust	321
		<u>\$ 22,153</u>

The Capital Projects: Statewide Sales, Services and Use Tax is repaying the Enterprise: School Nutrition Fund for remodeling expenditures incorrectly paid from the Nutrition Fund.

The Private Purpose Trust Fund is repaying the General Fund for money borrowed for cash flow purposes.

The Private Purpose Trust Fund is repaying the Student Activity Fund for money borrowed for cash flow purposes.

(4) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 21,300
Capital Projects: Statewide Sales, Services and Use Tax	General	<u>9,979</u>
Total		<u>\$ 31,279</u>

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

The transfer from the General Fund to the Capital Projects: Statewide Sales, Services, Services and Use Tax was to reallocate expenditures incorrectly spent from the General Fund.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 263,256	4,829	2,006	266,079
Less accumulated depreciation	227,344	7,469	2,006	232,807
Business type activities capital assets, net	<u>\$ 35,912</u>	<u>(2,640)</u>	<u>-</u>	<u>33,272</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,300	-	-	29,300
Total capital assets not being depreciated	29,300	-	-	29,300
Capital assets being depreciated:				
Buildings	10,364,380	56,476	-	10,420,856
Land improvements	304,364	-	-	304,364
Machinery and equipment	2,104,850	632,953	49,396	2,688,407
Total capital assets being depreciated	12,773,594	689,429	49,396	13,413,627
Less accumulated depreciation for:				
Buildings	3,306,048	219,081	-	3,525,129
Land improvements	181,203	8,445	-	189,648
Machinery and equipment	1,468,233	256,213	49,396	1,675,050
Total accumulated depreciation	4,955,484	483,739	49,396	5,389,827
Total capital assets being depreciated, net	7,818,110	205,690	-	8,023,800
Governmental activities capital assets, net	\$ 7,847,410	205,690	-	8,053,100

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 147,708
Support services:		
Instructional staff		12,301
Administration		14,979
Operations and maintenance		8,040
Transportation		73,185
		256,213
Unallocated depreciation		227,526
Total governmental activities depreciation expense		\$ 483,739
Business type activities:		
Food services		\$ 7,469

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,125,000	-	215,000	1,910,000	220,000
Termination benefits	16,406	164,059	32,812	147,653	59,699
Net OPEB liability	145,769	42,746	-	188,515	-
Total	\$ 2,287,175	206,805	247,812	2,246,168	279,699
Business type activities:					
Net OPEB Liability	\$ 8,417	-	746	7,671	-

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonds indebtedness are as follows:

Year Ended June 30,	Bond Issue of April 8, 2010				
	Interest Rates	Principal	Interest	Total	
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	
2019-2021	3.35-3.65	770,000	55,243	825,243	
Total		<u>\$ 1,910,000</u>	<u>286,355</u>	<u>2,196,355</u>	

Termination Benefits

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, 2013, totaled \$32,812. A liability has been recorded in the Statement of Net Position 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$381,745, \$342,422 and \$247,406, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 71 active members and 5 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 71,000
Interest on net OPEB obligation	7,000
Adjustment to annual required contribution	<u>(6,000)</u>
Annual OPEB cost	72,000
Contributions made	<u>(30,000)</u>
Increase in net OPEB obligation	42,000
Net OPEB obligation beginning of year	<u>154,186</u>
 Net OPEB obligation end of year	 <u><u>\$ 196,186</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$30,000 to the medical plan. Plan members eligible for the plan contributed \$27,000 or 47.37% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 76,414	36.6%	\$ 104,414
2012	76,772	35.2%	154,186
2013	72,000	41.7%	196,186

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$551,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$551,000. The covered payroll (annual payroll of active employees covered by the plan) was \$2,975,580 and the ratio of the UAAL to covered payroll was 18.52%. As of June 30, 2013, 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, 2012 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 10%. 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 \$792 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 \$249,707 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2013, the expenditures in the non-instruction programs functional area exceeded the certified budget.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 17,338
Gifted and Talented Programs	138,486
Four-Year-Old Preschool State Aid	5,573
Beginning Teacher Mentoring and Induction Program	541
Teacher Salary Supplement	40,342
Professional Development for Model Core Curriculum	16,321
Professional Development	12,802
Total	\$ 231,403

(13) **Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position as follows:

	<u>Invested in</u>	<u>Debt</u>	<u>Management</u>	<u>Unassigned/</u>
	<u>Capital Assets</u>	<u>Service</u>	<u>Levy</u>	<u>Unrestricted</u>
Fund balance (Exhibit C)	\$ -	8,402	114,581	1,009,393
Invested in capital assets, net of accumulated depreciation	8,053,100	-	-	-
General obligation bond capitalized indebtedness	(1,910,000)	-	-	-
Income Surtax	-	-	-	180,414
Termination benefits	-	-	(114,581)	(33,072)
Accrued interest payable	-	(4,666)	-	-
Net OPEB liability	-	-	-	(188,515)
Net position (Exhibit A)	<u>\$ 6,143,100</u>	<u>3,736</u>	<u>-</u>	<u>968,220</u>

Central Decatur Community School District

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, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,684,197	157,643	3,841,840	3,744,106	3,744,106	97,734
State sources	4,486,277	3,716	4,489,993	4,548,428	4,548,428	(58,435)
Federal sources	505,647	329,554	835,201	621,500	621,500	213,701
Total revenues	8,676,121	490,913	9,167,034	8,914,034	8,914,034	253,000
Expenditures/expenses:						
Instruction	5,321,779	-	5,321,779	5,275,500	5,375,000	53,221
Support services	2,849,285	3,090	2,852,375	2,753,650	2,895,000	42,625
Non-instructional programs	10,952	544,289	555,241	481,100	481,100	(74,141)
Other expenditures	762,486	-	762,486	1,176,478	1,176,478	413,992
Total expenditures/expenses	8,944,502	547,379	9,491,881	9,686,728	9,927,578	435,697
Excess(Deficiency) of revenues over(under) expenditures/expenses	(268,381)	(56,466)	(324,847)	(772,694)	(1,013,544)	688,697
Other financing sources, net	4,295	-	4,295	3,500	3,500	795
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(264,086)	(56,466)	(320,552)	(769,194)	(1,010,044)	689,492
Balances beginning of year	2,246,789	181,125	2,427,914	2,293,564	2,293,564	134,350
Balances end of year	\$ 1,982,703	124,659	2,107,362	1,524,370	1,283,520	823,842

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 increasing expenditures by \$240,850.

During the year ended June 30, 2013, the expenditures in the non-instructional programs functional area exceeded the certified budget.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING 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%
2013	July 1, 2012	-	551,000	551,000	0.00%	2,975,580	18.52%

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, 2013

	Special Revenue					Total
	Student Activity	Management Levy	Support Trust	Total Special Revenue	Debt Service	
Assets						
Cash and pooled investments	\$ 79,982	111,717	4,792	196,491	3,735	200,226
Receivables:						
Property tax:						
Delinquent	-	2,864	-	2,864	4,667	7,531
Succeeding year	-	268,000	-	268,000	276,504	544,504
Accounts	8,169	-	-	8,169	-	8,169
Due from other funds	321	-	-	321	-	321
Total Assets	\$ 88,472	382,581	4,792	475,845	284,906	760,751
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 4,588	-	-	4,588	-	4,588
Deferred revenue:						
Succeeding year property tax	-	268,000	-	268,000	276,504	544,504
Total liabilities	4,588	268,000	-	272,588	276,504	549,092
Fund balances:						
Restricted for:						
Debt service	-	-	-	-	8,402	8,402
Management levy purposes	-	114,581	-	114,581	-	114,581
Student activities	83,884	-	-	83,884	-	83,884
Special purposes	-	-	4,792	4,792	-	4,792
Total fund balances	83,884	114,581	4,792	203,257	8,402	211,659
Total Liabilities and Fund Balances	\$ 88,472	382,581	4,792	475,845	284,906	760,751

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, 2013

	Special Revenue					Total
	Student Activity	Management Levy	Support Trust	Total Special Revenue	Debt Service	
Revenues:						
Local sources:						
Local tax	\$ -	160,039	-	160,039	260,787	420,826
Other	289,679	3,574	-	293,253	9	293,262
State sources	-	120	-	120	196	316
Total revenues	289,679	163,733	-	453,412	260,992	714,404
Expenditures:						
Current:						
Instruction:						
Regular	-	32,812	-	32,812	-	32,812
Other	286,137	-	-	286,137	-	286,137
Support services:						
Administration	64	3,088	-	3,152	501	3,653
Operation and maintenance of plant	-	129,552	-	129,552	-	129,552
Transportation	-	16,995	-	16,995	-	16,995
Long-term debt:						
Principal	-	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	-	59,223	59,223
Total expenditures	286,201	182,447	-	468,648	274,724	743,372
Excess(Deficiency) of revenues over(under) expenditures	3,478	(18,714)	-	(15,236)	(13,732)	(28,968)
Other financing sources:						
Transfer in	-	-	-	-	21,300	21,300
Change in fund balances	3,478	(18,714)	-	(15,236)	7,568	(7,668)
Fund balances beginning of year	80,406	133,295	4,792	218,493	834	219,327
Fund balances end of year	\$ 83,884	114,581	4,792	203,257	8,402	211,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 285,132	22,828	307,960
Receivables:			
Property tax:			
Delinquent	-	726	726
Succeeding year	-	41,616	41,616
Due from other governments	270,816	-	270,816
Total Assets	\$ 555,948	65,170	621,118
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 20,872	-	20,872
Accounts payable	28,382	-	28,382
Deferred revenue:			
Succeeding year property tax	-	41,616	41,616
Total liabilities	49,254	41,616	90,870
Fund balances:			
Restricted for:			
School infrastructure	506,694	-	506,694
Physical plant and equipment	-	23,554	23,554
Total fund balances	506,694	23,554	530,248
Total Liabilities and Fund Balances	\$ 555,948	65,170	621,118

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, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 556,227	40,556	596,783
Other	900	2	902
State sources	-	30	30
Total revenues	<u>557,127</u>	<u>40,588</u>	<u>597,715</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	238,158	3,975	242,133
Administration	-	2,525	2,525
Operation and maintenance of plant	86,391	22,045	108,436
Other expenditures:			
Capital outlay	233,197	5,359	238,556
Total expenditures	<u>557,746</u>	<u>33,904</u>	<u>591,650</u>
Excess(Deficiency) of revenues over(under) expenditures	(619)	6,684	6,065
Other financing sources(uses):			
Transfer in	9,979	-	9,979
Transfer out	(21,300)	-	(21,300)
Insurance proceeds	-	1,750	1,750
Total other financing sources(uses)	<u>(11,321)</u>	<u>1,750</u>	<u>(9,571)</u>
Change in fund balances	(11,940)	8,434	(3,506)
Fund balances beginning of year	<u>518,634</u>	<u>15,120</u>	<u>533,754</u>
Fund balances end of year	<u>\$ 506,694</u>	<u>23,554</u>	<u>530,248</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Athletics:					
Basketball	\$ -	14,205	7,613	594	7,186
Track	142	25	2,489	2,322	-
Cross Country	-	-	1,635	1,635	-
Golf	-	1,482	2,972	1,502	12
Football	389	9,792	13,277	3,096	-
Baseball and Fundraiser	2,615	6,871	8,817	1,075	1,744
Wrestling	124	3,987	2,766	(500)	845
Volleyball	1,221	2,575	1,926	(500)	1,370
Softball and Fundraiser	-	10,356	7,221	-	3,135
Girls Bowling	76	60	-	194	330
General Athletics	519	118	2,593	2,914	958
Season Passes	-	1,895	13	(1,882)	-
Girls Basketball Camp	2,855	7,208	5,403	(580)	4,080
Boys Basketball Camp	30	4,601	6,213	3,049	1,467
Football Camp	3,266	10,694	8,723	(3,100)	2,137
Wrestling Camp	19	4,121	3,922	-	218
Volleyball Camp	439	2,395	2,589	-	245
	<u>11,695</u>	<u>80,385</u>	<u>78,172</u>	<u>9,819</u>	<u>23,727</u>
Athletic Support:					
Cheerleaders	155	5,533	6,995	1,307	-
Drill Team	1,396	3,458	2,758	-	2,096
	<u>1,551</u>	<u>8,991</u>	<u>9,753</u>	<u>1,307</u>	<u>2,096</u>
Clubs:					
Timber	563	-	100	-	463
Cardinal Athletics	590	-	10	-	580
International Club	923	428	441	-	910
Student Resale	-	8,038	7,579	-	459
TSA Club	1,251	4,623	4,913	(145)	816
Drama/Play Club	6,265	2,820	1,546	-	7,539
Spanish Club	204	-	53	-	151
Speech Club	-	-	239	239	-
National Honor Society	3,156	-	671	537	3,022
SADD	1,119	84	86	-	1,117
Academic Bowl	-	450	520	70	-
Weight Club	1,480	4,554	5,321	-	713
MOB	-	1,783	1,446	-	337
Music Boosters	188	1,623	672	-	1,139
Go Ape	2,671	10,232	9,014	-	3,889
	<u>18,410</u>	<u>34,635</u>	<u>32,611</u>	<u>701</u>	<u>21,135</u>
Graduation Classes:					
Class of 2013	1,702	-	-	(1,702)	-
Class of 2014	406	2,540	2,116	-	830
Class of 2015	585	210	-	-	795
Class of 2016	-	290	50	-	240
Class of 2017	-	8,655	11,768	3,113	-
	<u>2,693</u>	<u>11,695</u>	<u>13,934</u>	<u>1,411</u>	<u>1,865</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	3,183	70,366	71,048	-	2,501
FCCLA	-	1,403	865	(537)	1
	<u>3,183</u>	<u>71,769</u>	<u>71,913</u>	<u>(537)</u>	<u>2,502</u>
Yearbook:					
Annual	12,429	13,432	11,927	-	13,934
Student Councils:					
HS Student Council	5	4,443	2,419	-	2,029
MS Student Council	334	-	-	-	334
	<u>339</u>	<u>4,443</u>	<u>2,419</u>	<u>-</u>	<u>2,363</u>
JR/SR Awards:					
Awards	936	-	3,206	2,270	-
Middle School Fund Raiser	2,448	6,346	6,094	(1,000)	1,700
	<u>3,384</u>	<u>6,346</u>	<u>9,300</u>	<u>1,270</u>	<u>1,700</u>
Band/Chorus/Art:					
Music Trip	16,030	20,062	22,479	-	13,613
Instrumental Music	7,986	-	3,701	(4,284)	1
Vocal Music	-	-	156	156	-
	<u>24,016</u>	<u>20,062</u>	<u>26,336</u>	<u>(4,128)</u>	<u>13,614</u>
Miscellaneous Accounts:					
Coaches vs Cancer	-	1,887	2,466	579	-
Washington DC	-	3,364	3,364	-	-
Pepsi	-	162	-	(162)	-
Pepsi-Café	88	363	-	(451)	-
Fall Concessions	-	11,738	9,556	(2,182)	-
Winter Concessions	-	13,301	9,820	(3,481)	-
Summer Concessions	2,618	6,908	4,630	(3,948)	948
Interest	-	198	-	(198)	-
	<u>2,706</u>	<u>37,921</u>	<u>29,836</u>	<u>(9,843)</u>	<u>948</u>
Total	<u>\$ 80,406</u>	<u>289,679</u>	<u>286,201</u>	<u>-</u>	<u>83,884</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund									
	Bennett Scholarship	Logsdon Scholarship	Johnston Memorial	McAlwee Memorial	Horn Scholarship	Carter Nursing Scholarship	Leeper Scholarship	Vaughn Scholarship	Decker Scholarship	Total
Assets										
Cash and pooled investments	\$ 1,500	5,956	5,413	9,300	2,418	401	472	200	1,000	26,660
Accounts receivable	-	-	-	700	-	-	-	-	-	700
TOTAL ASSETS	1,500	5,956	5,413	10,000	2,418	401	472	200	1,000	27,360
Liabilities										
Due to other funds	59	-	189	923	-	-	-	-	110	1,281
Net Position										
Restricted for scholarships	\$ 1,441	5,956	5,224	9,077	2,418	401	472	200	890	26,079

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund											Total
	Lynch Scholarship	Bennett Scholarship	Logsdon Scholarship	Johnston Memorial	McAlwee Memorial	Hansel and General Scholarship	Horn Scholarship	Carter Nursing Scholarship	Leeper Scholarship	Vaughn Scholarship	Decker Scholarship	
Local sources:												
Gifts and contributions	\$ -	-	-	-	-	-	-	-	500	200	-	700
Interest income	-	4	14	14	30	-	-	-	-	-	-	62
Total additions	-	4	14	14	30	-	-	-	500	200	-	762
Deductions:												
Instruction:												
Regular:												
Scholarships awarded	200	100	100	200	500	500	200	-	600	-	100	2,500
Excess(Deficiency) of revenues over(under) expenditures	(200)	(96)	(86)	(186)	(470)	(500)	(200)	-	(100)	200	(100)	(1,738)
Net position beginning of year	200	1,537	6,042	5,410	9,547	500	2,618	401	572	-	990	27,817
Net position end of year	\$ -	1,441	5,956	5,224	9,077	-	2,418	401	472	200	890	26,079

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,855,058	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	354,838	338,415	398,469	290,701	335,722	287,073	205,594	157,034	211,635	250,447
Other	474,301	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	4,486,277	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	505,647	500,874	734,442	1,106,801	775,335	354,877	350,165	366,308	990,892	1,022,247
Total	\$ 8,676,121	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	\$ 2,756,073	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	1,238,797	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	1,326,909	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	231,421	209,259	138,733	132,480	131,405	128,839	137,913	137,510	185,335	156,971
Instructional staff	562,322	332,397	301,322	267,068	312,658	245,886	210,221	176,916	148,074	112,165
Administration	706,602	641,819	637,816	668,077	738,026	659,815	719,398	659,791	673,989	749,866
Operation and maintenance of plant	763,480	628,732	589,465	587,342	572,399	590,346	545,868	570,804	500,877	442,197
Transportation	585,460	567,308	491,955	469,517	411,817	434,587	401,404	375,953	390,472	260,144
Non-instructional programs	10,952	333	894	781	586	374	-	24,190	355,901	443,482
Capital outlay	238,556	483,323	648,649	804,990	255,371	741,155	68,395	146,308	443,849	782,391
Long-term debt:										
Principal	215,000	215,000	165,000	160,000	155,000	145,000	140,000	135,000	130,000	125,000
Interest	59,223	62,195	183,704	124,275	130,862	137,025	142,975	148,712	154,238	159,450
Other expenditures:										
AEA flow-through	249,707	249,841	281,671	280,012	253,488	245,664	239,906	232,901	226,161	229,347
Total	\$ 8,944,502	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, 2013

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
INDIRECT:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 77,097
National School Lunch Program	10.555	FY 13	219,162 *
Summer Food Service Program for Children	10.559	FY 13	<u>10,077</u>
			<u>306,336</u>
Fresh Fruit and Vegetable Program	10.582	FY 13	<u>23,218</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	1701-G	189,016
Title I Grants to Local Educational Agencies	84.010	1701-GC	13,950
Title I Schools in Need of Assistance(SINA)	84.010	FY 13	<u>18,480</u>
			<u>221,446</u>
Special Education - Preschool Grants	84.173	FY13	<u>160</u>
Twenty-First Century Community Learning Centers	84.287	FY 13	<u>64,662</u>
Rural Education	84.358	FY 13	<u>13,080</u>
Improving Teacher Quality State Grants (Title IIA)	84.367	FY 13	<u>45,237</u>
Grants for State Assessments and Related Activities (Title VIA)	84.369	FY 13	<u>4,414</u>
National Institute for Excellence in Teaching:			
Teacher Incentive Fund Grant	84.374	FY13	<u>40,841</u>
Green Valley Area Education Agency 14:			
Special Education - Grants to States	84.027	FY 13	<u>37,799</u>
Bedford Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 13	<u>11,192</u>
Total			<u>\$ 768,385</u>

* - Includes \$26,236 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 in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Decatur Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Decatur Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Decatur Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Decatur Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 21, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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**Independent Auditor's Report on Compliance for Each
Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Central Decatur Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Central Decatur Community School District's major federal programs for the year ended June 30, 2013. Central Decatur Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central Decatur Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Central Decatur Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

The management of Central Decatur Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements

referred to above. In planning and performing our audit of compliance, we considered Central Decatur Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in 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-13 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance which is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2014
Newton, Iowa

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified 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 Schools in Need of Assistance
- (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, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-13 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - opening mail and distribution, collecting, filling out deposit slips, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - approval and posting.

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

Response - The District will continue to review its control procedure to obtain the maximum internal control possible with available staffing.

Conclusion - Response accepted.

OTHER MATTERS:

II-B-13 Commodity Pricing - We noted during the audit that commodity food items were not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was over reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - The District will review the commodity pricing values with the Nutrition Services Director to ensure commodity food pricing is priced out correctly.

Conclusion - Response accepted.

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: 2013
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 Schools in Need of Assistance
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-13 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - opening mail and distribution, collecting, filling out deposit slips, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) Journal entries - approval and posting.

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

Response - The District will continue to review its control procedure to obtain the maximum internal control possible with available staffing.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded budgeted amounts in the non-instructional programs functional area.

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

Response - The District Superintendent and Business Manager will monitor budgeted funds and will amend the certified budget in accordance with 24.9 of the Code of Iowa before expenditures are allowed to exceed the budget.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue Fund: Student Activity.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - The District will review clothing purchases with the Athletic/Activities Director to ensure public funds are not used to purchase personal items of clothing. The District will review options for the future such as the Booster Club or other affiliated organization.

Conclusion - Response accepted.

IV-C-13 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-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Frost, Board President Owner of Leon NAPA Auto Parts	Auto Parts	\$1,242
Dan Christensen, Teacher Owner of Christensen Mowing	Purchased Service	\$3,083

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the board president does not appear to represent a conflict of interest.

In accordance with the Attorney’s General’s opinion dated July 2, 1990, the above transaction with the District employee does not appear to represent a conflict of interest.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	518,634
Revenues/transfers in:			
Sales tax revenues	\$	556,227	
Other local revenues		900	
Transfers from other funds		9,979	567,106
			<u>1,085,740</u>
Expenditures/transfers out:			
School infrastructure construction	\$	233,197	
Equipment		324,549	
Transferred to other funds:			
Debt service fund		21,300	579,046
			<u>579,046</u>
Ending Balance			<u>\$ 506,694</u>

For the year ended June 30, 2013, 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	\$ 0.11394	\$ 14,000

IV-M-13 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Student Resale - We noted during our audit that a student resale account is being maintained by the Student Activity Fund. It appears that the resale account is used to record the sale of supplies that various Student Activity Fund accounts use as a fundraiser.

Recommendation - If the District wishes to sell supplies as a fundraiser, the proceeds should be receipted directly into the account that is performing the fundraiser.

Response - If the District sells supplies as a fundraiser, the proceeds will be receipted directly into the account that is performing the fundraiser.

Conclusion - Response accepted.

IV-O-13 Physical Plant and Equipment Levy - We noted during our audit that the District had expenditures of \$2,945 for maintenance of the gym floors paid from Physical Plant and Equipment Levy. This appears to be routine maintenance and therefore should be paid from the General Fund. According to Chapter 298.3 of the Code of Iowa, PPEL monies may not be used for preventative and routine maintenance.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from PPEL Fund to avoid noncompliance. Since the District had allowable PPEL expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District will work to ensure that any future PPEL expenditures are not used for preventative and routine maintenance.

Conclusion - Response accepted.

IV-P-13 Non-Certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will track hours worked for non-certified staff coaches in order to determine if wages paid comply with minimum wage and overtime requirements.

Conclusion - Response accepted.