

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-16
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
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
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-39
<b>Required Supplementary Information:</b>	
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
<b>Supplementary Information:</b>	<b><u>Schedule</u></b>
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	1 46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 47
<i>Capital Projects Accounts:</i>	
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
<i>Private Purpose Trust - Scholarship Fund:</i>	
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 and on Internal Control over Compliance Required by OMB Circular A-133	58-59
Schedule of Findings and Questioned Costs	60-65



*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, 2014, 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, 2014, 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **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, 2013 (which are not presented herein) and expressed unmodified 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 12, 2015, 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 12, 2015  
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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,366,547 in fiscal 2013 to \$8,001,890 in fiscal 2014, while General Fund expenditures increased from \$7,619,459 in fiscal 2013 to \$7,865,111 in fiscal 2014. The District's General Fund balance increased from \$1,240,796 in fiscal 2013 to a balance of \$1,377,575 in fiscal 2014, an 11.02% increase from the prior year.
- The increase in General Fund revenues is attributable to an increase in federal grants during fiscal year 2014. 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.

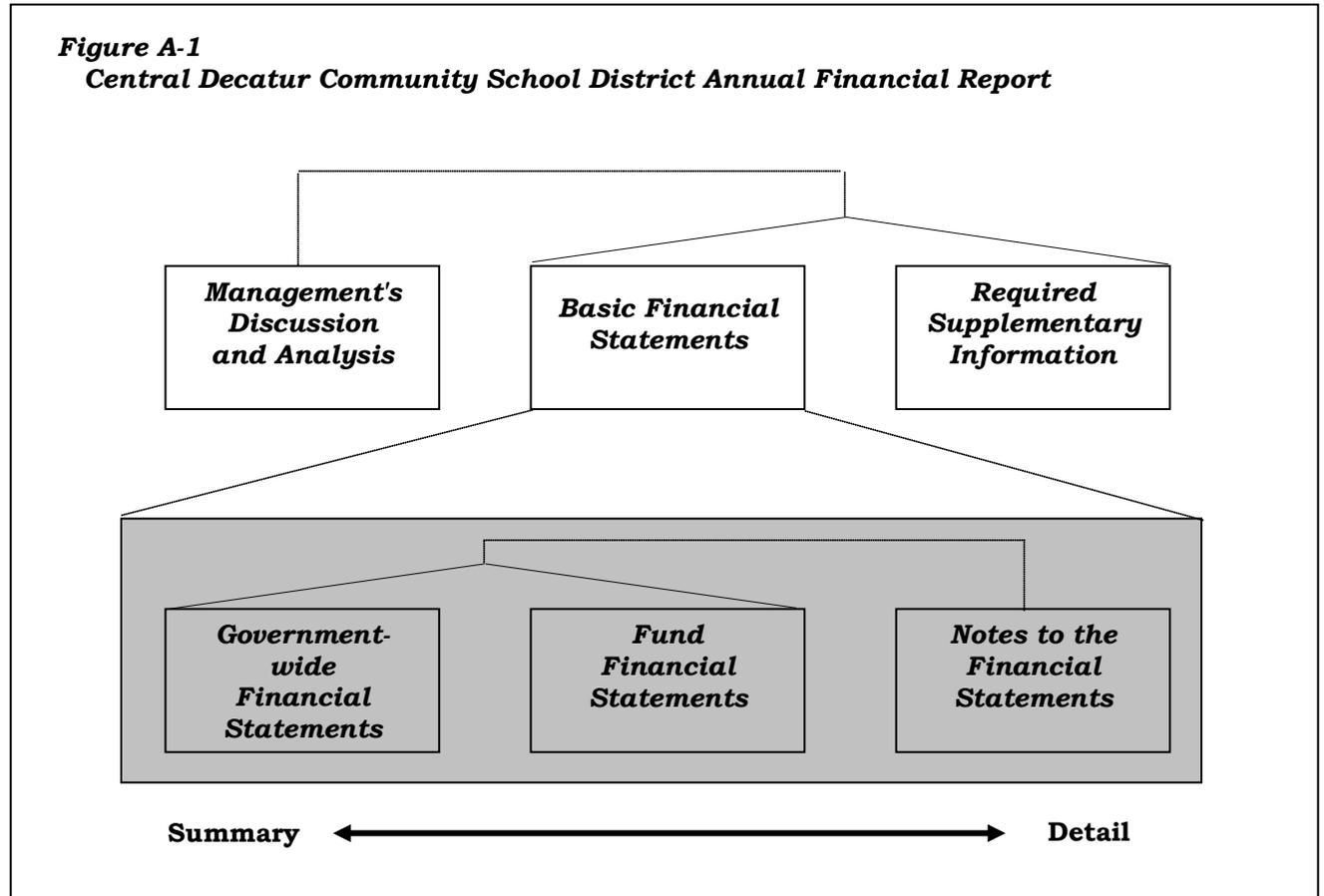
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Decatur Community School District's operations in more detail than the government-wide statements by providing information 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.

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

## **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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or financial 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 governmental fund financial statements follow the governmental 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, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 5,621,351	5,291,352	42,266	121,755	5,663,617	5,413,107	4.63%
Capital assets	7,533,225	8,053,100	61,211	33,272	7,594,436	8,086,372	-6.08%
Total assets	13,154,576	13,344,452	103,477	155,027	13,258,053	13,499,479	-1.79%
Long-term liabilities	2,312,501	2,246,168	9,053	7,671	2,321,554	2,253,839	3.00%
Other liabilities	1,158,420	1,036,961	29,968	22,697	1,188,388	1,059,658	12.15%
Total liabilities	3,470,921	3,283,129	39,021	30,368	3,509,942	3,313,497	5.93%
Deferred inflows of resources	2,127,693	2,095,940	-	-	2,127,693	2,095,940	1.51%
Net position:							
Net investment in capital assets	5,558,505	6,143,100	61,211	33,272	5,619,716	6,176,372	-9.01%
Restricted	985,063	854,063	-	-	985,063	854,063	15.34%
Unrestricted	1,012,394	968,220	3,245	91,387	1,015,639	1,059,607	-4.15%
Total net position	\$ 7,555,962	7,965,383	64,456	124,659	7,620,418	8,090,042	-5.80%

The District's combined net position decreased by 5.80%, or approximately \$469,624 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 increased by \$131,000, or 15.34% from the prior year. The increase in restricted net position is mainly attributable to the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax 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 \$43,968, or 4.15%. The reduction in unrestricted net position is mainly attributable to the decrease in unrestricted balance as compared to the previous year in the Enterprise: School Nutrition Fund.

**Figure A-4** shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 890,970	773,646	143,616	157,227	1,034,586	930,873	11.14%
Operating grants, contributions and restricted interest	1,366,083	1,099,416	388,176	333,270	1,754,259	1,432,686	22.45%
General revenues:							
Property tax	2,167,587	2,111,782	-	-	2,167,587	2,111,782	2.64%
Income surtax	163,663	186,410	-	-	163,663	186,410	-12.20%
Statewide sales, services and use tax	588,975	556,227	-	-	588,975	556,227	5.89%
Unrestricted state grants	4,150,970	3,915,418	-	-	4,150,970	3,915,418	6.02%
Unrestricted investment earnings	1,653	4,197	8	12	1,661	4,209	-60.54%
Other	127,573	28,386	5,560	404	133,133	28,790	362.43%
<b>Total revenues</b>	<b>9,457,474</b>	<b>8,675,482</b>	<b>537,360</b>	<b>490,913</b>	<b>9,994,834</b>	<b>9,166,395</b>	<b>9.04%</b>
Program expenses:							
Instructional	6,028,141	5,229,882	-	-	6,028,141	5,229,882	15.26%
Support services	3,147,462	2,916,220	5,071	3,090	3,152,533	2,919,310	7.99%
Non-instructional programs	9,613	10,952	592,492	544,289	602,105	555,241	8.44%
Other expenses	681,679	536,187	-	-	681,679	536,187	27.13%
<b>Total expenses</b>	<b>9,866,895</b>	<b>8,693,241</b>	<b>597,563</b>	<b>547,379</b>	<b>10,464,458</b>	<b>9,240,620</b>	<b>13.24%</b>
Change in net position	(409,421)	(17,759)	(60,203)	(56,466)	(469,624)	(74,225)	532.70%
Beginning net position	7,965,383	7,983,142	124,659	181,125	8,090,042	8,164,267	-0.91%
Ending net position	<b>\$ 7,555,962</b>	<b>7,965,383</b>	<b>64,456</b>	<b>124,659</b>	<b>7,620,418</b>	<b>8,090,042</b>	<b>-5.80%</b>

In fiscal year 2014, property tax, income surtax and unrestricted state grants accounted for 68.54% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.97% of the business type activities revenue.

The District's total revenues were approximately \$10.00 million, of which approximately \$9.46 million was for governmental activities and approximately \$0.54 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.04% increase in revenues and a 13.24% increase in expenses. Unrestricted state grants increased \$235,552 to fund the increase in expenses. 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 \$9,457,474 and expenses were \$9,866,895.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 6,028,141	5,229,882	15.26%	4,515,635	3,737,440	20.82%
Support services	3,147,462	2,916,220	7.93%	2,676,446	2,785,307	-3.91%
Non-instructional programs	9,613	10,952	-12.23%	1,523	10,952	-86.09%
Other expenses	681,679	536,187	27.13%	416,238	286,480	45.29%
Totals	\$ 9,866,895	8,693,241	13.50%	7,609,842	6,820,179	11.58%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$890,970.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,366,083.
- The net cost of governmental activities was financed with \$2,167,587 in property tax, \$163,663 in income surtax, \$588,975 in statewide sales, services and use tax, \$4,150,970 in unrestricted state grants, \$1,653 in interest income and \$127,573 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$537,360 and expenses were \$597,563. 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 \$2,209,718; an increase from last year's ending fund balances of \$1,982,703. The increase in combined fund balances is mainly attributable to the increase in ending fund balance for the General Fund.

### Governmental Fund Highlights

- The General Fund balance increased from \$1,240,796 in fiscal 2013 to \$1,377,575 in fiscal 2014. The increase was due in part to an increase in federal grants received as compared to the prior year.
- The Capital Projects Fund balance increased from a balance of \$530,248 at June 30, 2013 to an ending balance of \$597,904 at June 30, 2014. The increase in the Capital Projects Fund ending balance is mainly attributable to the increase in sales tax revenues received as compared to the previous year as well as the recording of part of the settlement received from Microsoft.

---

## Proprietary Fund Highlights

The Proprietary Fund net position decreased from \$124,659 at June 30, 2013 to \$64,456 at June 30, 2014, representing a decrease of 48.29%. The decrease in fund balance can be attributed to the increase in food costs to the District in fiscal 2014.

## BUDGETARY HIGHLIGHTS

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

The District's revenues were \$251,147 more than budgeted revenues, a variance of 2.56%. The most significant variance resulted from the District receiving more in state 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, 2014, the District had invested \$7,594,436, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 6.08% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$501,146.

The original cost of the District's capital assets was \$13,512,682. Governmental funds account for \$13,209,652 with the remainder of \$303,030 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$98,753 at June 30, 2014, compared to \$0 reported at June 30, 2013. The increase in construction in progress is due to the boy's locker room renovation project not being completed before year end.

	Figure A-6 Capital Assets, Net of Depreciation						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	2013-14
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Construction in progress	98,753	-	-	-	98,753	-	100.00%
Buildings	6,564,599	6,895,727	-	-	6,564,599	6,895,727	-4.80%
Land improvements	187,333	114,716	-	-	187,333	114,716	63.30%
Machinery and equipment	653,240	1,013,357	61,211	33,272	714,451	1,046,629	-31.74%
Total	\$ 7,533,225	8,053,100	61,211	33,272	7,594,436	8,086,372	-6.08%

---

## Long-Term Debt

At June 30, 2014, the District had \$2,321,554 in general obligation and other long-term debt outstanding. This represents an increase of 3.00% 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 \$1,690,000 at June 30, 2014.

The District had an outstanding computer lease payable of \$284,720 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable of \$115,297 at June 30, 2014 payable from the Special Revenue: Management Levy Fund.

The District had a total net OPEB liability of \$231,537 at June 30, 2014.

	Figure A-7							
	Outstanding Long-Term Debt Obligations							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
2014		2013		2014		2013		2013-14
General obligation bonds	\$ 1,690,000	1,910,000	-	-	1,690,000	1,910,000	-11.52%	
Computer lease	284,720	-	-	-	284,720	-	100.00%	
Termination benefits	115,297	147,653	-	-	115,297	147,653	-21.91%	
Net OPEB liability	222,484	188,515	9,053	7,671	231,537	196,186	18.02%	
Total	\$ 2,312,501	2,246,168	9,053	7,671	2,321,554	2,253,839	3.00%	

## 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 and increased slightly over the past five years. The District will have to continue to monitor enrollment and adjust staffing ratios accordingly in order to maintain appropriate spending authority.
- The Iowa Legislature has not set the state supplementary aid rate for Fiscal Year 2016. This uncertainty negatively impacts district decision-making in preparing for the annual budget.
- District health insurance renewal rates through United Health Care increased by 5.49% for the next school year. Continued increases in health care costs and rates will impact district finances and staffing. Long-term impact and associated costs of the Affordable Care Act on the District continue to be evaluated.
- The District continues to be impacted by diminishing state and federal funding revenues and increasing District expenses. The District did not receive K-3 Innovative At-Risk funding for FY15, further impacting revenues and spending authority for the District. Meanwhile, District salaries and benefits continue to increase, eroding District reserves and authority.

---

## **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, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,420,720	15,745	2,436,465
Receivables:			
Property tax:			
Delinquent	38,928	-	38,928
Succeeding year	2,127,693	-	2,127,693
Income surtax	130,906	-	130,906
Accounts	8,277	-	8,277
Due from other funds	1,770	-	1,770
Due from other governments	893,057	13,599	906,656
Inventories	-	12,922	12,922
Capital assets, net of accumulated depreciation	7,533,225	61,211	7,594,436
<b>TOTAL ASSETS</b>	<b>13,154,576</b>	<b>103,477</b>	<b>13,258,053</b>
<b>LIABILITIES</b>			
Accounts payable	284,135	4,398	288,533
Salaries and benefits payable	861,897	21,895	883,792
Advances from grantors	7,002	-	7,002
Accrued interest payable	5,386	-	5,386
Unearned revenues	-	3,675	3,675
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Computer lease payable	140,276	-	140,276
Termination benefits payable	59,699	-	59,699
Portion due after one year:			
General obligation bonds payable	1,470,000	-	1,470,000
Computer lease payable	144,444	-	144,444
Termination benefits payable	55,598	-	55,598
Net OPEB liability	222,484	9,053	231,537
<b>TOTAL LIABILITIES</b>	<b>3,470,921</b>	<b>39,021</b>	<b>3,509,942</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,127,693	-	2,127,693
<b>NET POSITION</b>			
Net investment in capital assets	5,558,505	61,211	5,619,716
Restricted for:			
Categorical funding	273,603	-	273,603
School infrastructure	583,457	-	583,457
Physical plant and equipment	14,447	-	14,447
Student activities	71,668	-	71,668
Management levy purposes	31,607	-	31,607
Support trust purposes	4,913	-	4,913
Debt service	5,368	-	5,368
Unrestricted	1,012,394	3,245	1,015,639
<b>TOTAL NET POSITION</b>	<b>\$ 7,555,962</b>	<b>64,456</b>	<b>7,620,418</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,446,833	324,196	228,377	(2,894,260)	-	(2,894,260)
Special	1,169,208	144,595	212,592	(812,021)	-	(812,021)
Other	1,412,100	351,965	250,781	(809,354)	-	(809,354)
	6,028,141	820,756	691,750	(4,515,635)	-	(4,515,635)
Support services:						
Student	276,786	6,633	12,500	(257,653)	-	(257,653)
Instructional staff	654,925	-	365,269	(289,656)	-	(289,656)
Administration	784,334	63,336	3,190	(717,808)	-	(717,808)
Operation and maintenance of plant	840,536	-	462	(840,074)	-	(840,074)
Transportation	590,881	245	19,381	(571,255)	-	(571,255)
	3,147,462	70,214	400,802	(2,676,446)	-	(2,676,446)
Non-instructional programs:						
Other enterprise operations	1,523	-	-	(1,523)	-	(1,523)
Community service operations	8,090	-	8,090	-	-	-
	9,613	-	8,090	(1,523)	-	(1,523)
Long-term debt interest	68,638	-	-	(68,638)	-	(68,638)
Other expenditures:						
AEA flowthrough	265,441	-	265,441	-	-	-
Depreciation(unallocated)*	347,600	-	-	(347,600)	-	(347,600)
	613,041	-	265,441	(347,600)	-	(347,600)
Total governmental activities	9,866,895	890,970	1,366,083	(7,609,842)	-	(7,609,842)
Business type activities:						
Support services:						
Administration	173	-	-	-	(173)	(173)
Operation and maintenance of plant	4,898	-	-	-	(4,898)	(4,898)
	5,071	-	-	-	(5,071)	(5,071)
Non-instructional programs:						
Food service operations	592,492	143,616	388,176	-	(60,700)	(60,700)
Total business type activities	597,563	143,616	388,176	-	(65,771)	(65,771)
Total	\$ 10,464,458	1,034,586	1,754,259	(7,609,842)	(65,771)	(7,675,613)
<b>General Revenues:</b>						
Property tax for:						
General purposes				\$ 1,849,309	-	1,849,309
Debt service				276,641	-	276,641
Capital outlay				41,637	-	41,637
Income surtax				163,663	-	163,663
Statewide sales, services and use tax				588,975	-	588,975
Unrestricted state grants				4,150,970	-	4,150,970
Unrestricted investment earnings				1,653	8	1,661
Other				127,573	5,560	133,133
Total general revenues				7,200,421	5,568	7,205,989
Change in net position				(409,421)	(60,203)	(469,624)
Net position beginning of year				7,965,383	124,659	8,090,042
Net position end of year				\$ 7,555,962	64,456	7,620,418

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,841,230	348,758	230,732	2,420,720
Receivables:				
Property tax:				
Delinquent	28,396	748	9,784	38,928
Succeeding year	1,640,104	40,876	446,713	2,127,693
Income surtax	130,906	-	-	130,906
Accounts	1,201	-	7,076	8,277
Due from other funds	960	-	810	1,770
Due from other governments	564,796	328,186	75	893,057
<b>TOTAL ASSETS</b>	<b>\$ 4,207,593</b>	<b>718,568</b>	<b>695,190</b>	<b>5,621,351</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 190,109	79,788	14,238	284,135
Salaries and benefits payable	861,897	-	-	861,897
Advances from grantors	7,002	-	-	7,002
Total liabilities	1,059,008	79,788	14,238	1,153,034
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,640,104	40,876	446,713	2,127,693
Income surtax	130,906	-	-	130,906
Total deferred inflows of resources	1,771,010	40,876	446,713	2,258,599
Fund balances:				
Restricted for:				
Categorical funding	273,603	-	-	273,603
School infrastructure	-	583,457	-	583,457
Physical plant and equipment	-	14,447	-	14,447
Student activities	-	-	71,668	71,668
Management levy purposes	-	-	146,904	146,904
Support trust purposes	-	-	4,913	4,913
Debt service	-	-	10,754	10,754
Unassigned	1,103,972	-	-	1,103,972
Total fund balances	1,377,575	597,904	234,239	2,209,718
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,207,593</b>	<b>718,568</b>	<b>695,190</b>	<b>5,621,351</b>

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, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,209,718
 <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.		7,533,225
Accounts receivable income surtax, are not yet available to finance current year expenditures of the current fiscal period and, therefore, are recognized as deferred inflows of resources in the governmentnal funds.		130,906
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,386)
Long-term liabilities, including general obligation bonds payable, computer lease 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>(2,312,501)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>7,555,962</u></u></b>

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, 2014

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
<b>Local sources:</b>				
Local tax	\$ 1,794,347	41,637	544,774	2,380,758
Tuition	445,865	-	-	445,865
Other	241,138	37,621	314,237	592,996
State sources	4,666,555	589,004	388	5,255,947
Federal sources	831,416	-	-	831,416
<b>Total revenues</b>	<b>7,979,321</b>	<b>668,262</b>	<b>859,399</b>	<b>9,506,982</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,624,848	420,947	59,699	3,105,494
Special	1,164,160	-	-	1,164,160
Other	1,040,905	-	321,221	1,362,126
	<b>4,829,913</b>	<b>420,947</b>	<b>380,920</b>	<b>5,631,780</b>
<b>Support services:</b>				
Student	274,470	-	450	274,920
Instructional staff	599,913	53,014	-	652,927
Administration	770,171	2,432	6,585	779,188
Operation and maintenance of plant	620,932	38,421	155,748	815,101
Transportation	494,658	167,672	18,619	680,949
	<b>2,760,144</b>	<b>261,539</b>	<b>181,402</b>	<b>3,203,085</b>
<b>Non-instructional programs:</b>				
Other enterprise operations	1,523	-	-	1,523
Community service operations	8,090	-	-	8,090
	<b>9,613</b>	<b>-</b>	<b>-</b>	<b>9,613</b>
<b>Capital outlay</b>	<b>-</b>	<b>189,919</b>	<b>-</b>	<b>189,919</b>
<b>Long-term debt:</b>				
Principal	-	-	356,227	356,227
Interest and fiscal charges	-	-	67,918	67,918
	<b>-</b>	<b>-</b>	<b>424,145</b>	<b>424,145</b>
<b>Other expenditures:</b>				
AEA flowthrough	265,441	-	-	265,441
<b>Total expenditures</b>	<b>7,865,111</b>	<b>872,405</b>	<b>986,467</b>	<b>9,723,983</b>
<b>Excess(Deficiency) of revenues over(under) expenditures</b>	<b>114,210</b>	<b>(204,143)</b>	<b>(127,068)</b>	<b>(217,001)</b>
<b>Other financing sources(uses):</b>				
Transfer in	-	-	149,648	149,648
Transfer out	-	(149,648)	-	(149,648)
Proceeds from computer lease	-	420,947	-	420,947
Insurance proceeds	20,132	500	-	20,632
Sale of equipment	2,437	-	-	2,437
<b>Total other financing sources(uses)</b>	<b>22,569</b>	<b>271,799</b>	<b>149,648</b>	<b>444,016</b>
<b>Change in fund balances</b>	<b>136,779</b>	<b>67,656</b>	<b>22,580</b>	<b>227,015</b>
<b>Fund balances beginning of year</b>	<b>1,240,796</b>	<b>530,248</b>	<b>211,659</b>	<b>1,982,703</b>
<b>Fund balances end of year</b>	<b>\$ 1,377,575</b>	<b>597,904</b>	<b>234,239</b>	<b>2,209,718</b>

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, 2014

**Change in fund balances - total governmental funds(page 22)** \$ 227,015

*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 outlay	\$ 481,294	
Depreciation expense	(492,134)	
Loss on asset disposal	<u>(509,035)</u>	(519,875)

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

Issued	\$ (420,947)	
Repaid	<u>356,227</u>	(64,720)

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (49,508)

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. (720)

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	\$ 32,356	
Other postemployment benefits	<u>(33,969)</u>	<u>(1,613)</u>

**Change in net position of governmental activities(page 19)** \$ (409,421)

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 15,745
Due from other governments	13,599
Inventories	12,922
Total current assets	42,266
Noncurrent assets:	
Capital assets, net of accumulated depreciation	61,211
<b>TOTAL ASSETS</b>	<b>103,477</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	4,398
Salaries and benefits payable	21,895
Unearned revenue	3,675
Total current liabilities	29,968
Noncurrent liabilities:	
Net OPEB liability	9,053
<b>TOTAL LIABILITIES</b>	<b>39,021</b>
<b>NET POSITION</b>	
Invested in capital assets	61,211
Unrestricted	3,245
<b>TOTAL NET POSITION</b>	<b>\$ 64,456</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 143,616
Miscellaneous	5,560
Total operating revenues	149,176
Operating expenses:	
Support services:	
Administration:	
Services	173
Operation and maintenance of plant:	
Services	4,898
	5,071
Non-instructional programs:	
Food service operations:	
Salaries	204,434
Benefits	72,638
Services	4,828
Supplies	300,808
Other	772
Depreciation	9,012
	592,492
Total operating expenses	597,563
Operating loss	(448,387)
Non-operating revenues:	
State sources	3,933
Federal sources	384,243
Interest income	8
Total non-operating revenues	388,184
Change in net position	(60,203)
Net position beginning of year	124,659
Net position end of year	\$ 64,456

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 144,364
Cash received from miscellaneous	5,560
Cash payments to employees for services	(268,978)
Cash payments to suppliers for goods or services	(267,774)
Net cash used in operating activities	(386,828)
Cash flows from non-capital financing activities:	
Repayment of interfund borrowings from Capital Projects: Statewide Sales, Services and Use Tax Fund	20,872
State grants received	3,933
Federal grants received	339,647
Net cash provided by non-capital financing activities	364,452
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(36,951)
Cash flows from investing activities:	
Interest on investments	8
Net decrease in cash and cash equivalents	(59,319)
Cash and cash equivalents at beginning of year	75,064
Cash and cash equivalents at end of year	\$ 15,745
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (448,387)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,074
Depreciation	9,012
Decrease in inventories	2,820
Decrease in accounts payable	(189)
Increase in salaries and benefits payable	6,712
Increase in unearned revenue	748
Increase in other postemployment benefits	1,382
Net cash used in operating activities	\$ (386,828)

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

During the year ended June 30, 2014, the District received federal commodities of \$41,074.

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 27,094
<b>LIABILITIES</b>	
Due to other funds	<u>1,770</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u><u>\$ 25,324</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 367
Interest income	541
Other local revenue	637
Total additions	1,545
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,300
Change in net position	(755)
Net position beginning of year	26,079
Net position end of year	\$ 25,324

SEE NOTES TO FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* 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. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints 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 Enterprise, School Nutrition Fund. The Enterprise, School 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, Deferred Inflows of Resources and Fund Balances**

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

Cash and Pooled Investments - 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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, 2014 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 Inflows of Resources - 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 inflows of resources 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 inflows of resources consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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 Balances - 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.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, District expenditures exceeded amounts budgeted in the non-instructional programs functional area.

**Note 2. Cash and Pooled Investments**

The District’s deposits at June 30, 2014 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, 2014, the District had no investments.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 149,648

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s computer lease indebtedness as well as the amount budgeted for debt relief on the District’s general obligation bond indebtedness.

**Note 4. Due From and Due To Other Funds**

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Private Purpose Trust	\$ 960
Student Activity	Private Purpose Trust	810
		<u>\$ 1,770</u>

According to the terms prescribed by the donator of the funds for certain scholarships awarded annually from the Private Purpose Trust Fund, the interest earned by the certificates of deposit are supposed to be sufficient to allow the scholarship to be awarded annually. Because the monies invested for some of the scholarships do not generate enough interest for the award to be given annually, the Private Purpose Trust Fund is repaying the General Fund and the Student Activity Fund for money borrowed to allow the certain scholarships to be awarded annually. Once certain investments associated with these scholarships come to renewal, the amounts will be repaid.

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 29,300	-	-	29,300
Construction in progress	-	98,753	-	98,753
Total capital assets not being depreciated	<u>29,300</u>	<u>98,753</u>	<u>-</u>	<u>128,053</u>
Capital assets being depreciated:				
Buildings	10,420,856	-	56,476	10,364,380
Land improvements	304,364	89,089	-	393,453
Machinery and equipment	2,688,407	293,452	658,093	2,323,766
Total capital assets being depreciated	<u>13,413,627</u>	<u>382,541</u>	<u>714,569</u>	<u>13,081,599</u>
Less accumulated depreciation for:				
Buildings	3,525,129	331,128	56,476	3,799,781
Land improvements	189,648	16,472	-	206,120
Machinery and equipment	1,675,050	144,534	149,058	1,670,526
Total accumulated depreciation	<u>5,389,827</u>	<u>492,134</u>	<u>205,534</u>	<u>5,676,427</u>
Total capital assets being depreciated, net	<u>8,023,800</u>	<u>(109,593)</u>	<u>509,035</u>	<u>7,405,172</u>
Governmental activities capital assets, net	<u>\$ 8,053,100</u>	<u>(10,840)</u>	<u>509,035</u>	<u>7,533,225</u>
<b><u>Business type activities:</u></b>				
Machinery and equipment	\$ 266,079	36,951	-	303,030
Less accumulated depreciation	232,807	9,012	-	241,819
Business type activities capital assets, net	<u>\$ 33,272</u>	<u>27,939</u>	<u>-</u>	<u>61,211</u>

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:		
Regular		\$ 51,565
Other		12,427
Support services:		
Administration		3,219
Operations and maintenance		5,249
Transportation		72,074
		<u>144,534</u>
Unallocated depreciation		<u>347,600</u>
Total governmental activities depreciation expense		<u><u>\$ 492,134</u></u>

**Business type activities:**

Food services		<u><u>\$ 9,012</u></u>
---------------	--	------------------------

**Note 6. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 1,910,000	-	220,000	1,690,000	220,000
Computer lease	-	420,947	136,227	284,720	140,276
Termination benefits	147,653	27,343	59,699	115,297	59,699
Net OPEB liability	188,515	33,969	-	222,484	-
Total	<u>\$ 2,246,168</u>	<u>482,259</u>	<u>415,926</u>	<u>2,312,501</u>	<u>419,975</u>
<b><u>Business type activities:</u></b>					
Net OPEB liability	\$ 7,671	1,382	-	9,053	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2014 general obligation bonds indebtedness are as follows:

Year Ended June 30,	Bond Issue Dated April 8, 2010				
	Interest Rates	Principal	Interest	Total	
2015	2.20 %	\$ 220,000	52,038	272,038	
2016	2.60	225,000	47,197	272,197	
2017	2.90	235,000	41,348	276,348	
2018	3.15	240,000	34,532	274,532	
2019	3.35	250,000	26,973	276,973	
2020-2021	3.50-3.65	520,000	28,270	548,270	
Total		<u>\$ 1,690,000</u>	<u>230,358</u>	<u>1,920,358</u>	

**Computer Lease Payable**

Details of the District’s June 30, 2014 computer lease indebtedness, which is payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ended June 30,	Computer Lease Dated November 15, 2012			
	Interest Rates	Principal	Interest	Total
2015	1.90 %	\$ 140,276	7,372	147,648
2016	1.90	144,444	3,204	147,648
Total		\$ 284,720	10,576	295,296

**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, 2014, totaled \$59,699. A liability has been recorded in the Statement of Net Position representing the District’s commitment to fund non-current early retirement.

**Note 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District’s contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$408,527, \$381,745, and \$342,422, respectively, equal to the required contributions for each year.

**Note 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, 2014, 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	8,828
Adjustment to annual required contribution	<u>(7,477)</u>
Annual OPEB cost	72,351
Contributions made	<u>(37,000)</u>
Increase in net OPEB obligation	35,351
Net OPEB obligation beginning of year	<u>196,186</u>
 Net OPEB obligation end of year	 <u><u>\$ 231,537</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, 2014.

For the year ended June 30, 2014, the District contributed \$37,000 to the medical plan. Plan members eligible for the plan contributed \$34,000 or 47.89% 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 76,772	35.2%	\$ 154,186
2013	72,000	41.7%	196,186
2014	72,351	51.1%	231,537

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, 2014, 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 \$3,102,718 and the ratio of the UAAL to covered payroll was 17.8%. As of June 30, 2014, 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 9.5%. 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.

#### **Note 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.

#### **Note 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 \$265,441 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2014, the expenditures in the non-instruction programs functional area exceeded the certified budget.

#### **Note 12. Operating Lease**

In August 2010, the District entered into a 5 year lease agreement for 7 copy machines, with minimum monthly payments of \$2,181. As of June 30, 2014 14 months remained on the lease agreement.

#### **Note 13. Construction Commitments**

During the year ended June 30, 2014, the District entered into a contract for \$180,000 for renovations to the boy's locker room. Costs of \$98,753 have been incurred against this contract. The remaining amount of the contract of \$81,247 will be paid as work on the project progresses. Once the project is complete, the total renovation cost will be added to the District's capital assets listing.

#### **Note 14. Prospective Account Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**Note 15. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 15,538
Gifted and Talented Programs	166,956
Beginning Teacher Mentoring and Induction Program	97
Teacher Salary Supplement	40,863
Professional Development for Model Core Curriculum	12,441
Professional Development	14,534
Successful Progression for Early Readers	15,678
Teacher Leadership Grants	7,496
Total	\$ 273,603

**Note 16. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment In Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	146,904	10,754	1,103,972
Invested in capital assets, net of accumulated depreciation	7,533,225	-	-	-
General obligation bond capitalized indebtedness	(1,690,000)	-	-	-
Computer lease capitalized indebtedness	(284,720)	-	-	-
Termination benefits	-	(115,297)	-	-
Accrued interest payable	-	-	(5,386)	-
Income surtax	-	-	-	130,906
Net OPEB liability	-	-	-	(222,484)
<b>Net position (Exhibit A)</b>	\$ 5,558,505	31,607	5,368	1,012,394

*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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 3,419,619	149,184	3,568,803	3,802,299	3,802,299	(233,496)
State sources	5,255,947	3,933	5,259,880	4,788,896	4,788,896	470,984
Federal sources	831,416	384,243	1,215,659	1,202,000	1,202,000	13,659
Total revenues	<u>9,506,982</u>	<u>537,360</u>	<u>10,044,342</u>	<u>9,793,195</u>	<u>9,793,195</u>	<u>251,147</u>
<b>Expenditures/expenses:</b>						
Instruction	5,631,780	-	5,631,780	5,635,500	5,635,500	3,720
Support services	3,203,085	5,071	3,208,156	3,047,710	3,446,660	238,504
Non-instructional programs	9,613	592,492	602,105	551,000	556,500	(45,605)
Other expenditures	879,505	-	879,505	1,187,924	1,187,924	308,419
Total expenditures/expenses	<u>9,723,983</u>	<u>597,563</u>	<u>10,321,546</u>	<u>10,422,134</u>	<u>10,826,584</u>	<u>505,038</u>
Deficiency of revenues under expenditures/expenses	(217,001)	(60,203)	(277,204)	(628,939)	(1,033,389)	756,185
Other financing sources, net	<u>444,016</u>	-	<u>444,016</u>	<u>3,500</u>	<u>3,500</u>	<u>440,516</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	227,015	(60,203)	166,812	(625,439)	(1,029,889)	1,196,701
Balances beginning of year	<u>1,982,703</u>	<u>124,659</u>	<u>2,107,362</u>	<u>2,030,038</u>	<u>2,030,038</u>	<u>77,324</u>
Balances end of year	<u>\$ 2,209,718</u>	<u>64,456</u>	<u>2,274,174</u>	<u>1,404,599</u>	<u>1,000,149</u>	<u>1,274,025</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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 \$404,450.

During the year ended June 30, 2014, expenditures in the non-instructional programs function exceeded the amount budgeted.

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	20.0%
2011	July 1, 2009	-	585,000	585,000	0.00%	2,857,133	20.5%
2012	July 1, 2009	-	585,000	585,000	0.00%	3,150,619	18.6%
2013	July 1, 2012	-	551,000	551,000	0.00%	2,975,580	18.5%
2014	July 1, 2012	-	551,000	551,000	0.00%	3,102,718	17.8%

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, 2014

	Special Revenue			Total	Debt Service	Total
	Student Activity	Management Levy	Support Trust			
<b>ASSETS</b>						
Cash and pooled investments	\$ 77,945	142,088	4,913	224,946	5,786	230,732
Receivables:						
Property tax:						
Delinquent	-	4,816	-	4,816	4,968	9,784
Succeeding year	-	180,170	-	180,170	266,543	446,713
Accounts	7,076	-	-	7,076	-	7,076
Due from other funds	810	-	-	810	-	810
Due from other governments	75	-	-	75	-	75
<b>TOTAL ASSETS</b>	<b>\$ 85,906</b>	<b>327,074</b>	<b>4,913</b>	<b>417,893</b>	<b>277,297</b>	<b>695,190</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 14,238	-	-	14,238	-	14,238
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	-	180,170	-	180,170	266,543	446,713
Fund balances:						
Restricted for:						
Student activities	71,668	-	-	71,668	-	71,668
Management levy purposes	-	146,904	-	146,904	-	146,904
Support trust purposes	-	-	4,913	4,913	-	4,913
Debt service	-	-	-	-	10,754	10,754
Total fund balances	71,668	146,904	4,913	223,485	10,754	234,239
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 85,906</b>	<b>327,074</b>	<b>4,913</b>	<b>417,893</b>	<b>277,297</b>	<b>695,190</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue				Debt Service	Total
	Student Activity	Management Levy	Support Trust	Total		
Revenues:						
Local sources:						
Local tax	\$ -	268,133	-	268,133	276,641	544,774
Other	309,455	4,650	121	314,226	11	314,237
State sources	-	191	-	191	197	388
Total revenues	<u>309,455</u>	<u>272,974</u>	<u>121</u>	<u>582,550</u>	<u>276,849</u>	<u>859,399</u>
Expenditures:						
Instruction:						
Regular	-	59,699	-	59,699	-	59,699
Other	321,221	-	-	321,221	-	321,221
Support services:						
Student	450			450		450
Administration	-	6,585	-	6,585	-	6,585
Operation and maintenance of plant	-	155,748	-	155,748	-	155,748
Transportation	-	18,619	-	18,619	-	18,619
Long-term debt:						
Principal	-	-	-	-	356,227	356,227
Interest and fiscal charges	-	-	-	-	67,918	67,918
Total expenditures	<u>321,671</u>	<u>240,651</u>	<u>-</u>	<u>562,322</u>	<u>424,145</u>	<u>986,467</u>
Excess(Deficiency) of revenues over(under) expenditures	(12,216)	32,323	121	20,228	(147,296)	(127,068)
Other financing sources:						
Transfer in	-	-	-	-	149,648	149,648
Change in fund balances	(12,216)	32,323	121	20,228	2,352	22,580
Fund balances beginning of year	<u>83,884</u>	<u>114,581</u>	<u>4,792</u>	<u>203,257</u>	<u>8,402</u>	<u>211,659</u>
Fund balances end of year	<u>\$ 71,668</u>	<u>146,904</u>	<u>4,913</u>	<u>223,485</u>	<u>10,754</u>	<u>234,239</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 334,264	14,494	348,758
Receivables:			
Property tax:			
Delinquent	-	748	748
Succeeding year	-	40,876	40,876
Due from other governments	328,186	-	328,186
<b>TOTAL ASSETS</b>	<b>\$ 662,450</b>	<b>56,118</b>	<b>718,568</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 78,993	795	79,788
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	40,876	40,876
Fund balances:			
Restricted for:			
School infrastructure	583,457	-	583,457
Physical plant and equipment	-	14,447	14,447
Total fund balances	583,457	14,447	597,904
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 662,450</b>	<b>56,118</b>	<b>718,568</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	41,637	41,637
Other	37,619	2	37,621
State sources	588,975	29	589,004
Total revenues	626,594	41,668	668,262
Expenditures:			
Instruction:			
Regular	420,947	-	420,947
Support services:			
Instructional staff	51,804	1,210	53,014
Administration	-	2,432	2,432
Operation and maintenance of plant	7,365	31,056	38,421
Transportation	163,947	3,725	167,672
Capital outlay	177,067	12,852	189,919
Total expenditures	821,130	51,275	872,405
Deficiency of revenues over under expenditures	(194,536)	(9,607)	(204,143)
Other financing sources(uses):			
Transfer out	(149,648)	-	(149,648)
Proceeds from computer lease	420,947	-	420,947
Insurance proceeds	-	500	500
Total other financing sources(uses)	271,299	500	271,799
Change in fund balances	76,763	(9,107)	67,656
Fund balances beginning of year	506,694	23,554	530,248
Fund balances end of year	\$ 583,457	14,447	597,904

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<b>Athletics:</b>					
Basketball	\$ 7,186	13,629	12,831	(1,595)	6,389
Track	-	1,104	2,688	1,584	-
Cross Country	-	-	648	648	-
Golf	12	1,563	3,213	1,950	312
Football	-	11,330	9,960	-	1,370
Baseball and Fundraiser	1,744	9,336	11,695	800	185
Wrestling	845	7,219	7,898	-	166
Volleyball	1,370	2,831	2,170	-	2,031
Softball and Fundraiser	3,135	9,610	10,544	238	2,439
Girls Bowling	330	-	156	-	174
General Athletics	958	-	2,985	2,027	-
Season Passes	-	2,373	11	(2,212)	150
Girls Basketball Camp	4,080	8,279	7,545	(267)	4,547
Boys Basketball Camp	1,467	7,243	7,699	(595)	416
Cross Country Camp	-	4,110	4,057	-	53
Football Camp	2,137	16,074	17,250	-	961
Wrestling Camp	218	7,870	7,078	(587)	423
Volleyball Camp	245	2,195	2,867	427	-
	<u>23,727</u>	<u>104,766</u>	<u>111,295</u>	<u>2,418</u>	<u>19,616</u>
<b>Athletic Support:</b>					
Cheerleaders	-	70	260	190	-
Cheerleading Camp	-	4,670	4,563	(107)	-
Drill Team	2,096	3,632	3,787	(25)	1,916
	<u>2,096</u>	<u>8,372</u>	<u>8,610</u>	<u>58</u>	<u>1,916</u>
<b>Clubs:</b>					
Timber	463	-	-	-	463
Cardinal Athletics	580	-	-	(350)	230
International Club	910	-	-	117	1,027
Student Resale	459	3,229	3,356	(332)	-
TSA Club	816	4,748	3,609	(186)	1,769
Drama/Play Club	7,539	3,066	2,161	(1,200)	7,244
Spanish Club	151	-	-	(151)	-
Speech Club	-	8	228	220	-
National Honor Society	3,022	-	335	-	2,687
SADD	1,117	30	151	-	996
Academic Bowl	-	485	339	-	146
Weight Club	713	4,800	4,959	-	554
MOB	337	3,054	3,044	(120)	227
Music Boosters	1,139	1,293	1,599	(30)	803
Go Ape	3,889	10,543	10,154	-	4,278
	<u>21,135</u>	<u>31,256</u>	<u>29,935</u>	<u>(2,032)</u>	<u>20,424</u>
<b>Graduation Classes:</b>					
Class of 2014	830	-	-	(830)	-
Class of 2015	795	5,584	5,522	-	857
Class of 2016	240	250	83	-	407
Class of 2017	-	255	35	-	220
Class of 2018	-	6,945	9,813	2,888	20
	<u>1,865</u>	<u>13,034</u>	<u>15,453</u>	<u>2,058</u>	<u>1,504</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	2,501	65,834	59,853	(75)	8,407
FCCLA	1	814	492	75	398
	<u>2,502</u>	<u>66,648</u>	<u>60,345</u>	<u>-</u>	<u>8,805</u>
Yearbook:					
Annual	13,934	12,921	18,572	119	8,402
Student Councils:					
HS Student Council	2,029	5,046	6,743	-	332
MS Student Council	334	-	-	-	334
	<u>2,363</u>	<u>5,046</u>	<u>6,743</u>	<u>-</u>	<u>666</u>
JR/SR Awards:					
Awards	-	20	2,184	2,164	-
Middle School Fund Raiser	1,700	6,888	5,122	(501)	2,965
	<u>1,700</u>	<u>6,908</u>	<u>7,306</u>	<u>1,663</u>	<u>2,965</u>
Band/Chorus/Art:					
Music Trip	13,613	16,625	25,577	-	4,661
Instrumental Music	1	-	1,036	1,035	-
Vocal Music	-	-	337	337	-
	<u>13,614</u>	<u>16,625</u>	<u>26,950</u>	<u>1,372</u>	<u>4,661</u>
Miscellaneous Accounts:					
Coaches vs Cancer	-	8,130	8,857	727	-
Washington DC	-	100	-	-	100
Pepsi	-	114	-	(114)	-
Pepsi-Café	-	289	-	(289)	-
Fall Concessions	-	14,746	10,688	(4,058)	-
Winter Concessions	-	12,838	11,057	(1,781)	-
Summer Concessions	948	7,521	5,860	-	2,609
Interest	-	141	-	(141)	-
	<u>948</u>	<u>43,879</u>	<u>36,462</u>	<u>(5,656)</u>	<u>2,709</u>
Total	\$ 83,884	309,455	321,671	-	71,668

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND  
 JUNE 30, 2014

	Private Purpose Trust										
	Scholarship										
	Bennett Scholarship	Logsdon Scholarship	Johnston Memorial	McAlwee Memorial	Horn Scholarship	Carter Nursing Scholarship	Leeper Scholarship	Vaughn Scholarship	Decker Scholarship	Shows Haystack Memorial	Total
<b>ASSETS</b>											
Cash and pooled investments	\$ 1,501	5,871	5,426	10,000	2,219	301	509	200	1,000	67	27,094
<b>LIABILITIES</b>											
Due to other funds	59	-	189	1,312	-	-	-	-	210	-	1,770
<b>NET POSITION</b>											
Restricted for scholarships	\$ 1,442	5,871	5,237	8,688	2,219	301	509	200	790	67	25,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust											
	Scholarship Fund											
	Bennett	Logsdon	Johnston	McAlwee	Hansel and	Horn	Carter	Leeper	Vaughn	Decker	Shows	
	Scholarship	Scholarship	Memorial	Memorial	General	Scholarship	Nursing	Scholarship	Scholarship	Scholarship	Haystack	Total
Additions:												
Local sources:												
Gifts and contributions	\$ -	-	-	-	-	-	-	-	300	-	67	367
Interest income	1	15	13	11	500	1	-	-	-	-	-	541
Other local revenue	-	-	-	-	-	-	-	637	-	-	-	637
Total additions	1	15	13	11	500	1	-	637	300	-	67	1,545
Deductions:												
Instruction:												
Regular:												
Scholarships awarded	-	100	-	400	500	200	100	600	300	100	-	2,300
Change in net position	1	(85)	13	(389)	-	(199)	(100)	37	-	(100)	67	(755)
Net position beginning of year	1,441	5,956	5,224	9,077	-	2,418	401	472	200	890	-	26,079
Net position end of year	\$ 1,442	5,871	5,237	8,688	-	2,219	301	509	200	790	67	25,324

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,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 2,380,758	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
Tuition	445,865	354,838	338,415	398,469	290,701	335,722	287,073	205,594	157,034	211,635
Other	592,996	474,301	543,840	452,114	459,777	497,025	435,878	977,751	404,421	292,025
Intermediate sources	-	-	-	-	-	-	-	-	-	3,500
State sources	5,255,947	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
Federal sources	831,416	505,647	500,874	734,442	1,106,801	775,335	354,877	350,165	366,308	990,892
<b>Total</b>	<b>\$ 9,506,982</b>	<b>8,676,121</b>	<b>8,747,209</b>	<b>8,579,381</b>	<b>8,171,716</b>	<b>8,233,473</b>	<b>7,610,555</b>	<b>7,371,777</b>	<b>7,083,864</b>	<b>7,537,734</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 3,105,494	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
Special	1,164,160	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
Other	1,362,126	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
<b>Support services:</b>										
Student	274,920	231,421	209,259	138,733	132,480	131,405	128,839	137,913	137,510	185,335
Instructional staff	652,927	562,322	332,397	301,322	267,068	312,658	245,886	210,221	176,916	148,074
Administration	779,188	706,602	641,819	637,816	668,077	738,026	659,815	719,398	659,791	673,989
Operation and maintenance of plant	815,101	763,480	628,732	589,465	587,342	572,399	590,346	545,868	570,804	500,877
Transportation	680,949	585,460	567,308	491,955	469,517	411,817	434,587	401,404	375,953	390,472
Non-instructional programs	9,613	10,952	333	894	781	586	374	-	24,190	355,901
Capital outlay	189,919	238,556	483,323	648,649	804,990	255,371	741,155	68,395	146,308	443,849
<b>Long-term debt:</b>										
Principal	356,227	215,000	215,000	165,000	160,000	155,000	145,000	140,000	135,000	130,000
Interest	67,918	59,223	62,195	183,704	124,275	130,862	137,025	142,975	148,712	154,238
<b>Other expenditures:</b>										
AEA flow-through	265,441	249,707	249,841	281,671	280,012	253,488	245,664	239,906	232,901	226,161
<b>Total</b>	<b>\$ 9,723,983</b>	<b>8,944,502</b>	<b>8,554,823</b>	<b>8,314,508</b>	<b>8,188,641</b>	<b>7,690,394</b>	<b>7,925,384</b>	<b>7,214,489</b>	<b>7,192,175</b>	<b>7,414,601</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

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 14	\$ 82,860
National School Lunch Program	10.555	FY 14	268,459 *
Summer Food Service Program for Children	10.559	FY 14	<u>13,599</u>
			<u>364,918</u>
Fresh Fruit and Vegetable Program	10.582	FY 14	<u>19,325</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	209,687
Title I Grants to Local Educational Agencies	84.010	1701-GC	20,901
Title I Schools in Need of Assistance(SINA)	84.010	FY 14	<u>13,504</u>
			<u>244,092</u>
Twenty-First Century Community Learning Centers	84.287	FY 13	47,938
Twenty-First Century Community Learning Centers	84.287	FY 14	<u>64,919</u>
			<u>112,857</u>
Rural Education	84.358	FY 14	<u>5,220</u>
Improving Teacher Quality State Grants (Title IIA)	84.367	FY 14	<u>43,007</u>
Grants for State Assessments and Related Activities (Title VIA)	84.369	FY 14	<u>3,724</u>
National Institute for Excellence in Teaching:			
Teacher Incentive Fund	84.374	FY 14	<u>312,765</u>
Green Hills Area Education Agency:			
Special Education - Grants to States	84.027	FY 14	<u>33,953</u>
Bedford Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 14	<u>10,982</u>
Total			<u>\$ 1,150,843</u>

\* - Includes \$41,074 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 in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 12, 2015.

**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, we identified deficiencies in internal control 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 as item II-A-14 to be a material weakness.

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

**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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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. 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 12, 2015  
Newton, Iowa

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

**Independent Auditor's Report on Compliance for Each  
Major Federal Program and on Internal Control over Compliance  
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, 2014. 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, 2014.

## 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-14 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 12, 2015  
Newton, Iowa

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**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
  - ***Individual program:***
    - CFDA Number 84.374 - Teacher Incentive Fund
- (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, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

None noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 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 procedures in order to move toward the maximum internal control possible with available staffing.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

**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: 2014  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.374 - Teacher Incentive Fund  
Federal Award Year: 2014  
U.S. Department of Education  
Passed through the National Institute for Excellence in Teaching

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the  
2014-001 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 procedures in order to move toward the maximum internal control possible with available staffing.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014

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

- IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 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 budget funds and, as necessary, 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-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, we noted that the District's categorical funding carryover balance for Gifted and Talented program increased from \$138,486 at June 30, 2013 to \$166,957 at June 30, 2014. The remaining carryover fund balance is greater than the yearly allocation received by the District.

Recommendation - The District should develop a plan to spend down the remaining carryover balance and potentially consider not applying for Talented and Gifted Program allocations in the future until the current carryover amount is spent down.

Response - The District will develop a plan to spend down the remaining carryover balance for the Talented and Gifted Program in order to ensure funds are appropriately utilized for student services.

Conclusion - Response accepted.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	506,694
Revenues/transfers in:			
Sales tax revenues	\$	588,975	
Other local revenues		37,619	
Proceeds from computer lease		420,947	1,047,541
			<u>1,554,235</u>
Expenditures/transfer out:			
School infrastructure construction	\$	125,652	
Equipment		680,631	
Other		14,847	
Transfer to another fund:			
Debt service fund		149,648	970,778
			<u>970,778</u>
Ending Balance			<u>\$ 583,457</u>

For the year ended June 30, 2014, 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	<u>\$ 0.02000</u>	<u>\$ 2,000</u>

IV-M-14 Signed Contracts - During our audit we noted instances of contracts for persons providing music services for dances that were not signed by the Board President. 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 review processes to ensure the Board President signs all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

IV-N-14 District and Regional Rents - During our audit we noted that the District receipts district and regional rents for sporting events into the Student Activity Fund.

Recommendation - According to Chapter 297.9 of the Code of Iowa, rental income should be receipted to the General Fund.

Response - The District will change internal processes to receipt rental income into the General Fund.

Conclusion - Response accepted.

IV-O-14 Interfund Loans - The District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2014, the Private Purpose Trust needs to repay the General Fund \$960 and repay the Student Activity Fund \$810.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - It appears that the District has adequate funding to repay the interfund loans. In the future, the District should repay interfund loans in a timely manner and seek external funding if they are unable to repay a loan.

Response - The District will monitor interfund loans to ensure they are repaid in a timely manner, seeking external funding as necessary.

Conclusion - Response accepted.