

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Central Decatur Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
<b>Board of Education</b>		
Igor Takacs	President	2019
Shaun Schaff	Vice President	2019
Ray Bishop	Board Member	2019
Mike Stuck	Board Member	2017
Amber Swartz	Board Member	2017
<b>School Officials</b>		
Chris Coffelt	Superintendent	2017
Becky Broich	Business Manager/Board Secretary	2017
Verle Norris Law Firm	Attorney	2017
Brett Nitzchke	Attorney	2017

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

**INDEPENDENT AUDITOR'S REPORT**

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

**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, 2017, and the related Notes to 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.

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

## **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, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 51 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 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, 2016 (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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 9, 2018, on our consideration of Central Decatur Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Decatur Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2018  
Newton, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Central Decatur Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- The District's total net position increased from 5,922,685 at June 30, 2016 to 6,626,018 at June 30, 2017. Total revenues increased from 10,860,873 in fiscal year 2016 to 10,960,767 in fiscal year 2017, a 0.92% increase, while total expenses increased from 9,700,169 in fiscal year 2016 to 10,257,434 in fiscal year 2017, a 5.74% increase compared to the prior year.
- General Fund revenues increased from \$8,613,899 in fiscal year 2016 to \$8,885,713 in fiscal year 2017, while General Fund expenditures increased from \$8,196,170 in fiscal year 2016 to \$8,363,827 in fiscal year 2017. The District's General Fund balance increased from \$2,049,208 at June 30, 2017 to \$2,570,554, a 25.44% increase from the prior year.
- The increase in General Fund revenues is attributable to an increase in state revenues received during fiscal year 2017. 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.

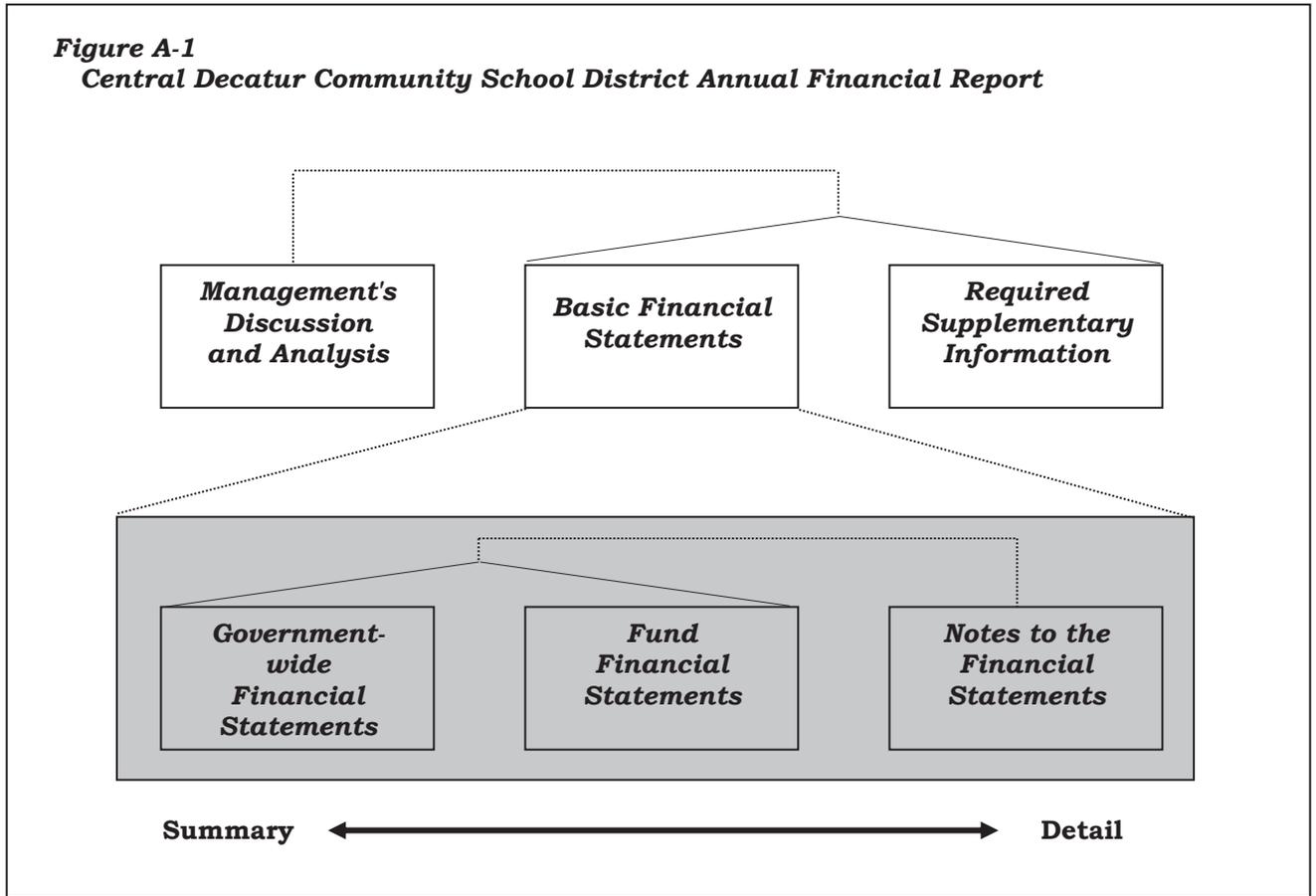
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Decatur Community School District's operations in more detail than the government-wide statements by providing information 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 custodian 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 the District's proportionate share of the net pension liability and related contributions, 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</b>				
<b>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	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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
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.

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The two government-wide financial statements report the District's net position and how it has 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 at June 30, 2017 compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 6,901,538	9,233,798	66,248	72,900	6,967,786	9,306,698	-25.13%
Capital assets	11,772,337	9,478,743	47,757	52,364	11,820,094	9,531,107	24.02%
Total assets	18,673,875	18,712,541	114,005	125,264	18,787,880	18,837,805	-0.27%
Deferred outflows of resources	1,060,749	539,880	42,876	21,762	1,103,625	561,642	96.50%
Long-term liabilities	9,236,191	9,046,118	179,726	150,823	9,415,917	9,196,941	2.38%
Other liabilities	1,228,696	1,581,992	122,282	121,051	1,350,978	1,703,043	-20.67%
Total liabilities	10,464,887	10,628,110	302,008	271,874	10,766,895	10,899,984	-1.22%
Deferred inflows of resources	2,491,395	2,563,847	7,197	12,931	2,498,592	2,576,778	-3.03%
Net position:							
Net investment in capital assets	6,882,337	6,130,122	47,757	52,364	6,930,094	6,182,486	12.09%
Restricted	1,099,195	1,443,537	-	-	1,099,195	1,443,537	-23.85%
Unrestricted	(1,203,190)	(1,513,195)	(200,081)	(190,143)	(1,403,271)	(1,703,338)	17.62%
Total net position	\$ 6,778,342	6,060,464	(152,324)	(137,779)	6,626,018	5,922,685	11.88%

The District's total net position increased by 11.88%, or \$703,333 from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$344,342, or 23.85% from the prior year. The decrease in restricted net position is mainly attributable to the decrease amounts restricted for school infrastructure compared to the prior year.

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 - increased by \$300,067, or 17.62%. The increase in unrestricted net position is primarily a result of an increase in unassigned fund balance of the General Fund compared to the prior year.

The District's governmental activities unrestricted net position remains at a deficit balance primarily due to the GASB 68 net pension and related deferred inflow and outflow reporting requirements.

**Figure A-4** shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 889,747	857,694	197,672	166,844	1,087,419	1,024,538	6.14%
Operating grants, contributions and restricted interest	1,529,129	1,459,901	392,581	392,968	1,921,710	1,852,869	3.72%
Capital grants, contributions and restricted interest	4,600	185,550	-	-	4,600	185,550	-97.52%
General revenues:							
Property tax	2,235,846	2,166,245	-	-	2,235,846	2,166,245	3.21%
Income surtax	163,399	250,232	-	-	163,399	250,232	-34.70%
Statewide sales, services and use tax	655,015	656,180	-	-	655,015	656,180	-0.18%
Unrestricted state grants	4,814,909	4,683,460	-	-	4,814,909	4,683,460	2.81%
Unrestricted investment earnings	3,719	4,383	6	4	3,725	4,387	-15.09%
Other	69,959	31,972	4,185	5,440	74,144	37,412	98.18%
<b>Total revenues</b>	<b>10,366,323</b>	<b>10,295,617</b>	<b>594,444</b>	<b>565,256</b>	<b>10,960,767</b>	<b>10,860,873</b>	<b>0.92%</b>
Program expenses:							
Instruction	5,392,421	5,157,920	-	-	5,392,421	5,157,920	4.55%
Support services	3,486,833	3,286,981	401	6,612	3,487,234	3,293,593	5.88%
Non-instructional programs	518	9,130	608,588	574,190	609,106	583,320	4.42%
Other expenses	768,673	665,336	-	-	768,673	665,336	15.53%
<b>Total expenses</b>	<b>9,648,445</b>	<b>9,119,367</b>	<b>608,989</b>	<b>580,802</b>	<b>10,257,434</b>	<b>9,700,169</b>	<b>5.74%</b>
Change in net position	717,878	1,176,250	(14,545)	(15,546)	703,333	1,160,704	-39.40%
Net position beginning of year	6,060,464	4,884,214	(137,779)	(122,233)	5,922,685	4,761,981	24.37%
Net position end of year	\$ 6,778,342	6,060,464	(152,324)	(137,779)	6,626,018	5,922,685	11.88%

In fiscal year 2017, property tax, income surtax and unrestricted state grants accounted for 69.59% of governmental activities revenue while charges for service and operating grants, contributions accounted for 99.29% of the business type activities revenue.

The District's total revenues were approximately \$10.96 million, of which approximately \$10.37 million was for governmental activities and approximately \$0.59 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.92% increase in revenues and a 5.74% increase in expenses. The increase in revenues is primarily due to an increase in unrestricted state grants received compared to the prior year. The increase in expenses is primarily due to an increase in support services and instruction expenses incurred compared the prior year.

## Governmental Activities

Revenues for governmental activities were \$10,366,323 and expenses were \$9,648,445 for the year ended June 30, 2017.

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, 2017 compared to those expenses for the year ended June 30, 2016.

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 5,392,421	5,157,920	4.55%	3,808,781	3,733,334	2.02%
Support services	3,486,833	3,286,981	6.08%	2,934,336	2,502,652	17.25%
Non-instructional programs	518	9,130	-94.33%	518	923	-43.88%
Other expenses	768,673	665,336	15.53%	481,334	379,313	26.90%
Totals	\$ 9,648,445	9,119,367	5.80%	7,224,969	6,616,222	9.20%

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$889,747.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$1,533,729.
- The net cost of governmental activities was financed with \$2,235,846 in property tax, \$163,399 in income surtax, \$655,015 in statewide sales, services and use tax, \$4,814,909 in unrestricted state grants, \$3,719 in interest income and \$69,959 in other general revenues.

## Business type Activities

Revenues of the District's business type activities for the year ended June 30, 2017 were \$594,444, a 5.16% increase over the prior year, and expenses totaled \$608,989, a 4.85% increase from the prior year. 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 \$3,198,033; a decrease from last year's ending combined fund balances of \$5,161,072. The decrease in combined fund balances is mainly attributable to the decrease in fund balance Capital Projects: Statewide Sales, Services and Use Tax Fund.

## Governmental Fund Highlights

- The General Fund balance increased from \$2,049,208 at June 30, 2016 to \$2,570,554 at June 30, 2017. The increase in General Fund revenues was due in part to an increase in state source revenues received compared to the prior year and the increase in expenses was primarily due to negotiated salaries and benefits. Total revenues continued to outpace total expenditures during the year ensuring an increase in ending fund balance.

- The Capital Projects Fund balance decreased from \$2,949,734 at June 30, 2016 to \$438,392 at June 30, 2017. The decrease in the Capital Projects Fund ending balance is mainly attributable to capital outlay expenditures required to finish the bus barn and athletic complex renovation projects.

### Proprietary Fund Highlights

The Proprietary Fund net position decreased from a deficit net position of \$137,779 at June 30, 2016 to a deficit net position of \$152,324 at June 30, 2017, representing a decrease of 10.56%. Although the District increased total revenues from the prior year, total expenses still outpaced total revenues ensuring a decrease in ending net position.

### 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, non-instructional programs, and other expenditures functional areas.

The District's revenues were \$261,469 more than budgeted revenues, a variance of 2.42%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had invested \$11,820,094, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 24.02% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$495,267.

The original cost of the District's capital assets was \$18,533,021. Governmental activities accounted for \$18,260,657 with the remainder of \$272,364 accounted for in the District's business type activities.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2017, compared to \$2,459,758 reported at June 30, 2016. The decrease in construction in progress is due to the completion of the new bus barn and athletic complex renovation projects during the year. These projects have been capitalized as part of the buildings category within the District's official capital asset listing.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2017-16
Land	\$ 29,300	29,300	-	-	29,300	29,300	0.00%
Construction in progress	-	2,459,758	-	-	-	2,459,758	-100.00%
Buildings	11,043,075	6,337,914	-	-	11,043,075	6,337,914	74.24%
Land improvements	156,075	169,411	-	-	156,075	169,411	-7.87%
Machinery and equipment	543,887	482,360	47,757	52,364	591,644	534,724	10.64%
Total	\$ 11,772,337	9,478,743	47,757	52,364	11,820,094	9,531,107	24.02%

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## Long-Term Debt

At June 30, 2017, the District had \$4,890,000 in general obligation and other long-term debt outstanding. This represents a decrease of 9.44% from last year. (See Figure A-6) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds of \$1,010,000 at June 30, 2017 payable from the Debt Service Fund.

The District had outstanding revenue bonds payable of \$3,880,000 at June 30, 2017 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total	Total	Total
	District	Change	Change
	June 30,	June 30,	June 30,
	2017	2016	2016-17
General obligation bonds	\$ 1,010,000	1,245,000	-18.88%
Revenue bonds	3,880,000	4,155,000	-6.62%
Totals	<u>\$ 4,890,000</u>	<u>5,400,000</u>	<u>-9.44%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District student enrollment consideration in the development of the budget on an annual basis. From Fiscal Year 2015 to Fiscal Year 2016, the District experienced a significant decline in enrollment, totaling 30 students. This enrollment decrease negatively impacted the District General Fund, with a corresponding decrease in the overall amount received in State Supplemental Assistance. The District will continue to monitor enrollment and adjust staffing ratios accordingly in order to maintain appropriate spending authority.
- District health insurance renewal rates, currently through United Health Care, are a cost the district has no direct control over on an annual basis. While the District experienced no significant increase in renewal rates this fiscal year, historically a larger percentage of new money is allotted to health insurance benefits, leaving less for staff salaries. These increases in health care costs and rates will continue to impact district finances and staffing.
- The District continues to be impacted by diminishing state and federal funding revenues and increasing District expenses. The District will evaluate how best to meet its' core mission of providing a quality educational experience for all students, supporting priorities, while evaluating efficiencies in all areas of the budget. District salaries and benefits continue to increase at a rate that exceeds annual state supplemental assistance amounts, eroding District reserves and authority and stressing the financial position of the District.

## 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 Broich, Business Manager/Board Secretary, Central Decatur Community School District, 1201 NE Poplar Street, Leon, Iowa, 50144.

*Central Decatur Community School District*

BASIC FINANCIAL STATEMENTS

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,619,791	21,170	3,640,961
Receivables:			
Property tax:			
Delinquent	44,187	-	44,187
Succeeding year	2,315,234	-	2,315,234
Income surtax	162,406	-	162,406
Accounts	48,577	19,699	68,276
Due from other funds	87,000	-	87,000
Due from other governments	624,343	11,515	635,858
Inventories	-	13,864	13,864
Capital assets not being depreciated:			
Land	29,300	-	29,300
Capital assets, net of accumulated depreciation:			
Buildings and land improvements and machinery and equipment	11,743,037	47,757	11,790,794
<b>TOTAL ASSETS</b>	<b>18,673,875</b>	<b>114,005</b>	<b>18,787,880</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,060,749	42,876	1,103,625
<b>LIABILITIES</b>			
Due to other funds	-	87,000	87,000
Accounts payable	300,718	5,004	305,722
Salaries and benefits payable	924,147	26,206	950,353
Advances from grantors	1,000	-	1,000
Accrued interest payable	2,831	-	2,831
Unearned revenues	-	4,072	4,072
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	240,000	-	240,000
Revenue bond payable	280,000	-	280,000
Termination benefits payable	32,812	-	32,812
Portion due after one year:			
General obligation bonds payable	770,000	-	770,000
Revenue bond payable	3,600,000	-	3,600,000
Termination benefits payable	54,686	-	54,686
Net pension liability	3,892,800	166,495	4,059,295
Net OPEB liability	365,893	13,231	379,124
<b>TOTAL LIABILITIES</b>	<b>10,464,887</b>	<b>302,008</b>	<b>10,766,895</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,315,234	-	2,315,234
Pension related deferred inflows	176,161	7,197	183,358
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,491,395</b>	<b>7,197</b>	<b>2,498,592</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,882,337	47,757	6,930,094
Restricted for:			
Categorical funding	562,045	-	562,045
School infrastructure	424,549	-	424,549
Physical plant and equipment	13,843	-	13,843
Student activities	42,422	-	42,422
Management levy purposes	42,261	-	42,261
Debt service	14,075	-	14,075
Unrestricted	(1,203,190)	(200,081)	(1,403,271)
<b>TOTAL NET POSITION</b>	<b>\$ 6,778,342</b>	<b>(152,324)</b>	<b>6,626,018</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,851,537	373,185	247,077	-	(2,231,275)	-	(2,231,275)
Special	1,148,838	93,698	98,967	-	(956,173)	-	(956,173)
Other	1,392,046	351,478	419,235	-	(621,333)	-	(621,333)
	<u>5,392,421</u>	<u>818,361</u>	<u>765,279</u>	<u>-</u>	<u>(3,808,781)</u>	<u>-</u>	<u>(3,808,781)</u>
Support services:							
Student	391,227	16,089	15,223	-	(359,915)	-	(359,915)
Instructional staff	755,860	-	427,269	-	(328,591)	-	(328,591)
Administration	862,350	55,023	10,811	-	(796,516)	-	(796,516)
Operation and maintenance of plant	799,164	-	-	4,600	(794,564)	-	(794,564)
Transportation	678,232	274	23,208	-	(654,750)	-	(654,750)
	<u>3,486,833</u>	<u>71,386</u>	<u>476,511</u>	<u>4,600</u>	<u>(2,934,336)</u>	<u>-</u>	<u>(2,934,336)</u>
Non-instructional programs:							
Other enterprise operations	518	-	-	-	(518)	-	(518)
Long-term debt interest	145,165	-	-	-	(145,165)	-	(145,165)
Other expenditures:							
AEA flowthrough	287,339	-	287,339	-	-	-	-
Depreciation(unallocated)*	336,169	-	-	-	(336,169)	-	(336,169)
	<u>623,508</u>	<u>-</u>	<u>287,339</u>	<u>-</u>	<u>(336,169)</u>	<u>-</u>	<u>(336,169)</u>
Total governmental activities	<u>9,648,445</u>	<u>889,747</u>	<u>1,529,129</u>	<u>4,600</u>	<u>(7,224,969)</u>	<u>-</u>	<u>(7,224,969)</u>
Business type activities:							
Support services:							
Administration	401	-	-	-	-	(401)	(401)
	<u>401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(401)</u>	<u>(401)</u>
Non-instructional programs:							
Food service operations	608,588	197,672	392,581	-	-	(18,335)	(18,335)
Total business type activities	<u>608,989</u>	<u>197,672</u>	<u>392,581</u>	<u>-</u>	<u>-</u>	<u>(18,736)</u>	<u>(18,736)</u>
Total	\$ <u>10,257,434</u>	<u>1,087,419</u>	<u>1,921,710</u>	<u>4,600</u>	<u>(7,224,969)</u>	<u>(18,736)</u>	<u>(7,243,705)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,919,204	-		1,919,204
Debt service				273,682	-		273,682
Capital outlay				42,960	-		42,960
Income surtax				163,399	-		163,399
Statewide sales, services and use tax				655,015	-		655,015
Unrestricted state grants				4,814,909	-		4,814,909
Unrestricted investment earnings				3,719	6		3,725
Other				69,959	4,185		74,144
Total general revenues				<u>7,942,847</u>	<u>4,191</u>		<u>7,947,038</u>
Change in net position				717,878	(14,545)		703,333
Net position beginning of year				6,060,464	(137,779)		5,922,685
Net position end of year				<u>\$ 6,778,342</u>	<u>(152,324)</u>		<u>6,626,018</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,956,026	386,436	277,329	3,619,791
Receivables:				
Property tax:				
Delinquent	32,708	850	10,629	44,187
Succeeding year	1,752,251	44,510	518,473	2,315,234
Income surtax	162,406	-	-	162,406
Accounts	45,627	-	2,950	48,577
Due from other funds	176,500	-	-	176,500
Due from other governments	569,889	54,454	-	624,343
<b>TOTAL ASSETS</b>	<b>\$ 5,695,407</b>	<b>486,250</b>	<b>809,381</b>	<b>6,991,038</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 285,049	3,348	12,321	300,718
Salaries and benefits payable	924,147	-	-	924,147
Advances from grantors	1,000	-	-	1,000
Due to other funds	-	-	89,500	89,500
Total liabilities	1,210,196	3,348	101,821	1,315,365
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,752,251	44,510	518,473	2,315,234
Income surtax	162,406	-	-	162,406
Total deferred inflows of resources	1,914,657	44,510	518,473	2,477,640
Fund balances:				
Restricted for:				
Categorical funding	562,045	-	-	562,045
School infrastructure	-	424,549	-	424,549
Physical plant and equipment	-	13,843	-	13,843
Student activities	-	-	42,422	42,422
Management levy purposes	-	-	129,759	129,759
Debt service	-	-	16,906	16,906
Unassigned	2,008,509	-	-	2,008,509
Total fund balances	2,570,554	438,392	189,087	3,198,033
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,695,407</b>	<b>486,250</b>	<b>809,381</b>	<b>6,991,038</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, 2017

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,198,033
 <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.		11,772,337
Accounts receivable income surtax, is not yet available to finance current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		162,406
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.		(2,831)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,060,749	
Deferred inflows of resources	<u>(176,161)</u>	<u>884,588</u>
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, net pension liability and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(9,236,191)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>6,778,342</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, 2017

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
<b>Local sources:</b>				
Local tax	\$ 1,906,209	42,960	537,549	2,486,718
Tuition	460,516	-	-	460,516
Other	198,474	6,036	327,304	531,814
State sources	5,321,437	655,525	6,379	5,983,341
Federal sources	991,407	-	-	991,407
<b>Total revenues</b>	<b>8,878,043</b>	<b>704,521</b>	<b>871,232</b>	<b>10,453,796</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,879,624	-	39,647	2,919,271
Special	1,158,743	-	-	1,158,743
Other	1,038,049	-	332,238	1,370,287
	<b>5,076,416</b>	<b>-</b>	<b>371,885</b>	<b>5,448,301</b>
<b>Support services:</b>				
Student	378,505	-	1,435	379,940
Instructional staff	739,802	3,750	-	743,552
Administration	830,314	4,101	5,270	839,685
Operation and maintenance of plant	536,273	76,572	167,175	780,020
Transportation	514,660	123,187	19,222	657,069
	<b>2,999,554</b>	<b>207,610</b>	<b>193,102</b>	<b>3,400,266</b>
<b>Non-instructional programs:</b>				
Other enterprise operations	518	-	-	518
<b>Capital outlay</b>	<b>-</b>	<b>2,631,818</b>	<b>-</b>	<b>2,631,818</b>
<b>Long-term debt:</b>				
Principal	-	-	510,000	510,000
Interest and fiscal charges	-	-	145,723	145,723
	<b>-</b>	<b>-</b>	<b>655,723</b>	<b>655,723</b>
<b>Other expenditures:</b>				
AEA flowthrough	287,339	-	-	287,339
<b>Total expenditures</b>	<b>8,363,827</b>	<b>2,839,428</b>	<b>1,220,710</b>	<b>12,423,965</b>
<b>Excess(Deficiency) of revenues over(under) expenditures</b>	<b>514,216</b>	<b>(2,134,907)</b>	<b>(349,478)</b>	<b>(1,970,169)</b>
<b>Other financing sources(uses):</b>				
Transfer in	-	5,099	381,534	386,633
Transfer out	-	(381,534)	(5,099)	(386,633)
Insurance proceeds	5,461	-	-	5,461
Sale of equipment	1,669	-	-	1,669
<b>Total other financing sources(uses)</b>	<b>7,130</b>	<b>(376,435)</b>	<b>376,435</b>	<b>7,130</b>
<b>Change in fund balances</b>	<b>521,346</b>	<b>(2,511,342)</b>	<b>26,957</b>	<b>(1,963,039)</b>
<b>Fund balances beginning of year</b>	<b>2,049,208</b>	<b>2,949,734</b>	<b>162,130</b>	<b>5,161,072</b>
<b>Fund balances end of year</b>	<b>\$ 2,570,554</b>	<b>438,392</b>	<b>189,087</b>	<b>3,198,033</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, 2017

**Change in fund balances - total governmental funds(page 22)** \$ (1,963,039)

*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 and depreciation expense in the current year are as follows:

Capital outlay	\$ 2,783,582	
Depreciation expense	<u>(489,988)</u>	2,293,594

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. 510,000

Income surtax account receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (87,473)

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. 558

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 407,421

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, as follows:

Termination benefits	\$ 39,647	
Pension expense	(432,525)	
Other postemployment benefits	<u>(50,305)</u>	<u>(443,183)</u>

**Change in net position of governmental activities(page 19)** \$ 717,878

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	Enterprise School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 21,170
Accounts receivable	19,699
Due from other governments	11,515
Inventories	13,864
Total current assets	66,248
Noncurrent assets:	
Capital assets, net of accumulated depreciation	47,757
<b>TOTAL ASSETS</b>	<b>114,005</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	42,876
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	87,000
Accounts payable	5,004
Salaries and benefits payable	26,206
Unearned revenue	4,072
Total current liabilities	122,282
Noncurrent liabilities:	
Net pension liability	166,495
Net OPEB liability	13,231
Total noncurrent liabilities	179,726
<b>TOTAL LIABILITIES</b>	<b>302,008</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	7,197
<b>NET POSITION</b>	
Net Investment in capital assets	47,757
Unrestricted	(200,081)
<b>TOTAL NET POSITION</b>	<b>\$ (152,324)</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, 2017

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 197,672
Miscellaneous	2,612
Total operating revenues	200,284
Operating expenses:	
Support services:	
Administration:	
Services	401
Non-instructional programs:	
Food service operations:	
Salaries	201,857
Benefits	66,222
Services	125
Supplies	333,378
Other	1,727
Depreciation	5,279
	608,588
Total operating expenses	608,989
Operating loss	(408,705)
Non-operating revenues:	
Compensation for loss of capital assets	1,573
State sources	4,068
Federal sources	388,513
Interest income	6
Total non-operating revenues	394,160
Change in net position	(14,545)
Net position beginning of year	(137,779)
Net position end of year	\$ (152,324)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 189,752
Cash received from miscellaneous	2,612
Cash payments to employees for services	(269,966)
Cash payments to suppliers for goods or services	(298,164)
Net cash used in operating activities	(375,766)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	10,000
State grants received	4,068
Federal grants received	349,251
Net cash provided by non-capital financing activities	363,319
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(672)
Compensation for the loss of capital assets	1,573
Net cash provided by capital and related financing activities:	901
Cash flows from investing activities:	
Interest on investments	6
Net decrease in cash and pooled investments	(11,540)
Cash and pooled investments beginning of year	32,710
Cash and pooled investments end of year	\$ 21,170
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (408,705)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,893
Depreciation	5,279
Increase in inventories	(1,778)
Increase in accounts receivable	(5,741)
Decrease in accounts payable	(2,648)
Decrease in salaries and benefits payable	(3,942)
Decrease in unearned revenue	(2,179)
Increase in net pension liability	27,084
Increase in deferred outflows of resources	(21,114)
Decrease in deferred inflows of resources	(5,734)
Increase in other postemployment benefits	1,819
Net cash used in operating activities	\$ (375,766)

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

During the year ended June 30, 2017, the District received federal commodities of \$41,893.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2017

	Private Purpose Trust
	Scholarship
<b>ASSETS</b>	
Cash and pooled investments	\$ 24,483
<b>LIABILITIES</b>	
Accounts payable	-
<b>NET POSITION</b>	
Held in trust for scholarships	\$ 24,483

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>1,841</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,317</u>
Change in net position	(476)
Net position beginning of year	<u>24,959</u>
Net position end of year	<u>\$ 24,483</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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. 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 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 service.

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 the following 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 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 as well as presenting detailed schedules of individual student activity and private purpose trust 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 and other capital assets.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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 amortized 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 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

**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 acquired after July 1, 1980 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
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the District's reporting period.

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.

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

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily from the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 consist of 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2017 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; 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, 2017, the District had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

### **Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2017 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	2,459,758	2,541,220	5,000,978	-
Total capital assets not being depreciated	2,489,058	2,541,220	5,000,978	29,300
Capital assets being depreciated:				
Buildings	10,585,631	5,027,994	-	15,613,625
Land improvements	275,175	-	-	275,175
Machinery and equipment	2,127,211	215,346	-	2,342,557
Total capital assets being depreciated	12,988,017	5,243,340	-	18,231,357
Less accumulated depreciation for:				
Buildings	4,247,717	322,833	-	4,570,550
Land improvements	105,764	13,336	-	119,100
Machinery and equipment	1,644,851	153,819	-	1,798,670
Total accumulated depreciation	5,998,332	489,988	-	6,488,320
Total capital assets being depreciated, net	6,989,685	4,753,352	-	11,743,037
Governmental activities capital assets, net	\$ 9,478,743	7,294,572	5,000,978	11,772,337
<b><u>Business type activities:</u></b>				
Machinery and equipment	\$ 271,692	672	-	272,364
Less accumulated depreciation	219,328	5,279	-	224,607
Business type activities capital assets, net	\$ 52,364	(4,607)	-	47,757
<b><u>Governmental activities:</u></b>				
Instruction:				
Regular			\$	68,502
Other				13,171
Support services:				
Administration				1,567
Operations and maintenance of plant				9,327
Transportation				61,252
				153,819
Unallocated depreciation				336,169
Total governmental activities depreciation expense			\$	489,988
<b><u>Business type activities:</u></b>				
Food service operations			\$	5,279

#### **Note 4. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,245,000	-	235,000	1,010,000	240,000
Revenue bonds	4,155,000	-	275,000	3,880,000	280,000
Termination benefits	127,145	-	39,647	87,498	32,812
Net pension liability	3,203,385	689,415	-	3,892,800	-
Net OPEB liability	315,588	76,363	26,058	365,893	-
Total	<u>\$ 9,046,118</u>	<u>765,778</u>	<u>575,705</u>	<u>9,236,191</u>	<u>552,812</u>
<b>Business type activities:</b>					
Net pension liability	\$ 139,411	27,084	-	166,495	-
Net OPEB liability	11,412	2,761	942	13,231	-
Total	<u>\$ 150,823</u>	<u>29,845</u>	<u>942</u>	<u>179,726</u>	<u>-</u>

### General Obligation Bonds Payable

Details of the District's June 30, 2017 general obligation bonds indebtedness are as follows:

Year Ended June 30,	Refunding Bond Issue Dated April 8, 2010			
	Interest Rates	Principal	Interest	Total
2018	3.15 %	\$ 240,000	34,532	274,532
2019	3.35	250,000	26,973	276,973
2020	3.50	255,000	18,598	273,598
2021	3.65	265,000	9,762	274,762
Total		<u>\$ 1,010,000</u>	<u>89,865</u>	<u>1,099,865</u>

### Revenue Bonds Payable

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness is as follows:

Year Ended June 30,	Bond Issue Dated September 1, 2015			
	Interest Rates	Principal	Interest	Total
2018	2.50 %	\$ 280,000	97,000	377,000
2019	2.50	290,000	90,000	380,000
2020	2.50	295,000	82,750	377,750
2021	2.50	300,000	75,375	375,375
2022	2.50	310,000	67,875	377,875
2023-2027	2.50	1,675,000	218,875	1,893,875
2028-2029	2.50	730,000	27,500	757,500
Total		<u>\$ 3,880,000</u>	<u>659,375</u>	<u>4,539,375</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,420,000 of bonds issued in September 2015. The bonds were issued for the purpose of financing costs associated with the athletic complex renovation project as well as other miscellaneous improvement projects through the District. The bonds are payable solely from the proceeds of the statewide sales,

services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 58% of the statewide sales, services and use tax revenues. Total principal and interest remaining to be paid on the bonds is \$4,539,375. For the current year \$275,000 in principal and \$103,875 in interest was paid on the bonds and total statewide sales, services and use tax revenue was \$655,015.

### **Termination Benefits**

The District did not offer an early retirement incentive during fiscal year 2017. However, in January 2016, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees through March 7, 2016. Eligible employees must have completed twelve years of continuous contracted service to the District and must have reached the age of fifty-five on or before June 30, 2016. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal a cash payment of \$25,400 paid out in five equal installments. Payments will be made to each retiree on or before July 15<sup>th</sup>, each year. At June 30, 2017, the District had obligations to two participants of the 2016 retirement offering totaling \$43,749.

The District previously offered a cash incentive retirement plan to District employees in fiscal year 2015. This was offered to employees in fiscal year 2015 only. At June 30, 2017, the District had liabilities to two participants of the 2015 retirement offering totaling \$32,812.

The District previously offered a cash incentive retirement plan to District employees in fiscal year 2013. This was offered to employees in fiscal year 2013 only. At June 30, 2017, the District had liabilities to two participants of the 2013 retirement offering totaling \$10,937.

At June 30, 2017, the District had obligations to a total six participants with a total liability of \$87,498 Actual early retirement expenditures for the year ended June 30, 2017 totaled \$39,647.

### **Note 5. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2017 were \$424,176.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$4,059,295 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.064502 percent, which was a decrease of 0.003161 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$449,516. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,876	\$ 48,446
Changes of assumptions	61,932	-
Net difference between projected and actual earnings on IPERS investments	578,321	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	3,320	134,912
District contributions subsequent to the measurement date	424,176	-
Total	<u>\$ 1,103,625</u>	<u>\$ 183,358</u>

\$424,176 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	\$ 45,322
2019	45,322
2020	271,064
2021	144,888
2022	(10,505)
	<u>\$ 496,091</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount 1-percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 6,567,390	\$ 4,059,295	\$ 1,942,430

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$62,374 for legally required District contributions and \$41,559 for legally required employee contributions withheld from employee wages but which had not yet been remitted to IPERS.

#### **Note 6. 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 92 active members and 2 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 Wellmark. 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, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 78,000
Interest on net OPEB obligation	13,080
Adjustment to annual required contribution	<u>(11,956)</u>
Annual OPEB cost	79,124
Contributions made	<u>(27,000)</u>
Increase in net OPEB obligation	52,124
Net OPEB obligation beginning of year	<u>327,000</u>
Net OPEB obligation end of year	<u><u>\$ 379,124</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, 2017.

For the year ended June 30, 2017, the District contributed \$27,000 to the medical plan. Plan members eligible for the plan contributed \$24,000 or 47.06% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 72,642	49.6%	\$ 268,179
2016	78,821	25.4%	327,000
2017	79,124	34.1%	379,124

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$547,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$547,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,930,386 and the ratio of the UAAL to covered payroll was 13.9%. As of June 30, 2017, 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. Examples include estimates about future employment, mortality and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, 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, 2015 actuarial valuation date, the Alternative Measurement Method was used. The actuarial assumptions include a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP-2014 table projected to 2030 using Scale MP-14, applied on a gender-specific basis. Employees are assumed to retire at the latest age of 60 or that age they first become eligible for benefits.

Projected claim costs of the medical plan are \$448 per month for single retirees and \$1,087 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5%. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 7. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 380,875
Student Activity	Capital Projects: Statewide Sales, Services and Use Tax	659
Capital Projects: Statewide Sales, Services and Use Tax	General	5,099
Total		\$ 386,633

\$378,875 was needed for principal and interest payments on the District's revenue bonded indebtedness, as well as \$2,000 budgeted for debt relief on the District's general obligation bond indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Student Activity Fund was to move proceeds from a scoreboard.

The transfer from the Support Trust Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to close the Support Trust Fund due to completion of outstanding projects.

**Note 8. Due From and Due To Other Funds**

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 87,000
General	Management Levy	89,500
		<u>\$ 176,500</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid by the General Fund which had not yet been repaid at year end.

The management Levy Fund is repaying the General Fund for cash flow purposes during fiscal year 2017.

**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 \$287,339 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Deficit Net Position**

The Enterprise, School Nutrition Fund reported a deficit unrestricted net position of \$200,081 and a deficit total net position of \$152,324 at June 30, 2017. The District's net pension liability and pension related deferred inflows and outflows contributed to these amounts but were not the sole reason for the deficit net positions.

**Note 12. Operating Leases**

In July 2015, the District entered into a five-year lease agreement for seven copy machines, with Infomax Office Systems Inc. Minimum monthly payments total \$2,319, which includes \$1,679 per month for equipment use and \$640 per month for maintenance on the machines. As of June 30, 2017, 36 months remained on this lease agreement, annual costs for the District are shown below.

Year Ended	Service Agreement	Maintenance Portion	Total
June 30, 2018	20,148	7,680	27,828
2019	20,148	7,680	27,828
2020	20,148	7,680	27,828
<b>Total</b>	<b>60,444</b>	<b>23,040</b>	<b>83,484</b>

In January 2016, the District entered into a three-year lease agreement with Daimler Truck Financial to lease three school buses. Annual lease payments total \$43,167 and run through fiscal year 2018.

**Note 13. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2017 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 12,644
Gifted and Talented Programs	221,466
Teacher Leadership State Aid	227,538
Teacher Salary Supplement	41,986
Successful Progression for Early Readers	42,400
Professional Development for Model Core Curriculum	10,511
Professional Development	5,500
Total	<u>\$ 562,045</u>

**Note 14. Reconciliation of Certain Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to the Statement of Net Position is as follows:

	Net Investment In Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	129,759	16,906	2,008,509
Invested in capital assets, net of accumulated depreciation	11,722,337	-	-	-
General obligation bond capitalized indebtedness	(1,010,000)	-	-	-
Revenue bond capitalized indebtedness	(3,880,000)	-	-	-
Termination benefits	-	(87,498)	-	-
Accrued interest payable	-	-	(2,831)	-
Income surtax	-	-	-	162,406
Pension related deferred outflows of resources	-	-	-	1,060,749
Pension related deferred inflows of resources	-	-	-	(176,161)
Net pension liability	-	-	-	(3,892,800)
Net OPEB liability	-	-	-	(365,893)
<b>Net position (Exhibit A)</b>	<u>\$ 6,832,337</u>	<u>42,261</u>	<u>14,075</u>	<u>(1,203,190)</u>

**Note 15. New Accounting Pronouncement**

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

**Note 16. Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they

are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2017.

**Note 17. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,479,048	201,863	3,680,911	3,572,864	3,572,864	108,047
State sources	5,983,341	4,068	5,987,409	5,943,907	5,943,907	43,502
Federal sources	991,407	388,513	1,379,920	1,270,000	1,270,000	109,920
Total revenues	10,453,796	594,444	11,048,240	10,786,771	10,786,771	261,469
Expenditures/expenses:						
Instruction	5,448,301	-	5,448,301	6,264,648	6,264,648	816,347
Support services	3,400,266	401	3,400,667	3,412,050	3,801,050	400,383
Non-instructional programs	518	608,588	609,106	590,000	615,000	5,894
Other expenditures	3,574,880	-	3,574,880	1,606,475	3,706,475	131,595
Total expenditures/expenses	12,423,965	608,989	13,032,954	11,873,173	14,387,173	1,354,219
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,970,169)	(14,545)	(1,984,714)	(1,086,402)	(3,600,402)	1,615,688
Other financing sources, net	7,130	-	7,130	2,000	2,000	5,130
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,963,039)	(14,545)	(1,977,584)	(1,084,402)	(3,598,402)	1,620,818
Balances beginning of year	5,161,072	(137,779)	5,023,293	3,561,401	3,561,401	1,461,892
Balances end of year	\$ 3,198,033	(152,324)	3,045,709	2,476,999	(37,001)	3,082,710

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2017

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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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 budgeted expenditures by \$2,514,000.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 FOR THE LAST THREE YEARS\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
District's proportion of the net pension liability	0.064502%	0.067661%	0.069912%
District's proportionate share of the net pension liability	\$ 4,059,295	3,342,796	2,772,661
District's covered-employee payroll	\$ 4,639,695	4,635,326	4,574,770
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.49%	72.12%	60.61%
IPERS net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68 the amount presented of June 30.  
 for each fiscal year were determined as of June 30 of the preceeding year.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 424,176	414,325	413,935	408,527	381,745	342,422	247,406	266,529	254,622	232,040
Contributions in relation to the statutorily required contribution	(424,176)	(414,325)	(413,935)	(408,527)	(381,745)	(342,422)	(247,406)	(266,529)	(254,622)	(232,040)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,750,009	4,639,695	4,635,326	4,574,770	4,403,057	4,243,147	3,559,799	4,007,955	4,009,795	3,835,372
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2017

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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%
2015	July 1, 2012	-	551,000	551,000	0.00%	3,646,198	15.1%
2016	July 1, 2015	-	547,000	547,000	0.00%	3,902,058	14.0%
2017	July 1, 2015	-	547,000	547,000	0.00%	3,930,386	13.9%

See Note 6 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, 2017

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
<b>ASSETS</b>					
Cash and pooled investments	\$ 51,793	214,041	265,834	11,495	277,329
Receivables:					
Property tax:					
Delinquent	-	5,218	5,218	5,411	10,629
Succeeding year	-	243,441	243,441	275,032	518,473
Accounts	2,950	-	2,950	-	2,950
<b>TOTAL ASSETS</b>	<b>\$ 54,743</b>	<b>462,700</b>	<b>517,443</b>	<b>291,938</b>	<b>809,381</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	89,500	89,500	-	89,500
Accounts payable	12,321	-	12,321	-	12,321
	12,321	89,500	101,821	-	101,821
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	243,441	243,441	275,032	518,473
Fund balances:					
Restricted for:					
Student activities	42,422	-	42,422	-	42,422
Management levy purposes	-	129,759	129,759	-	129,759
Debt service	-	-	-	16,906	16,906
Total fund balances	42,422	129,759	172,181	16,906	189,087
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 54,743</b>	<b>462,700</b>	<b>517,443</b>	<b>291,938</b>	<b>809,381</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, 2017

	Special Revenue			Total	Debt Service	Total
	Student Activity	Management Levy	Support Trust			
Revenues:						
Local sources:						
Local tax	\$ -	263,867	-	263,867	273,682	537,549
Other	312,725	14,495	63	327,283	21	327,304
State sources	-	3,131	-	3,131	3,248	6,379
Total revenues	<u>312,725</u>	<u>281,493</u>	<u>63</u>	<u>594,281</u>	<u>276,951</u>	<u>871,232</u>
Expenditures:						
Instruction:						
Regular	-	39,647	-	39,647	-	39,647
Other	332,238	-	-	332,238	-	332,238
Support services:						
Student	1,435	-	-	1,435	-	1,435
Administration	36	5,234	-	5,270	-	5,270
Operation and maintenance of plant	-	167,175	-	167,175	-	167,175
Transportation	-	19,222	-	19,222	-	19,222
Long-term debt:						
Principal	-	-	-	-	510,000	510,000
Interest and fiscal charges	-	-	-	-	145,723	145,723
Total expenditures	<u>333,709</u>	<u>231,278</u>	<u>-</u>	<u>564,987</u>	<u>655,723</u>	<u>1,220,710</u>
Excess(Deficiency) of revenues over(under) expenditures	(20,984)	50,215	63	29,294	(378,772)	(349,478)
Other financing sources (uses):						
Transfer in	659	-	-	659	380,875	381,534
Transfer out	-	-	(5,099)	(5,099)	-	(5,099)
Total other financing sources(uses)	<u>659</u>	<u>-</u>	<u>(5,099)</u>	<u>(4,440)</u>	<u>380,875</u>	<u>376,435</u>
Change in fund balances	(20,325)	50,215	(5,036)	24,854	2,103	26,957
Fund balances beginning of year	<u>62,747</u>	<u>79,544</u>	<u>5,036</u>	<u>147,327</u>	<u>14,803</u>	<u>162,130</u>
Fund balances end of year	<u>\$ 42,422</u>	<u>129,759</u>	<u>-</u>	<u>172,181</u>	<u>16,906</u>	<u>189,087</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 373,443	12,993	386,436
Receivables:			
Property tax:			
Delinquent	-	850	850
Succeeding year	-	44,510	44,510
Accounts	-	-	-
Due from other governments	54,454	-	54,454
<b>TOTAL ASSETS</b>	<b>\$ 427,897</b>	<b>58,353</b>	<b>486,250</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,348	-	3,348
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	44,510	44,510
Fund balances:			
Restricted for:			
School infrastructure	424,549	-	424,549
Physical plant and equipment	-	13,843	13,843
Total fund balances	424,549	13,843	438,392
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 427,897</b>	<b>58,353</b>	<b>486,250</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	42,960	42,960
Other	6,035	1	6,036
State sources	655,015	510	655,525
Total revenues	<u>661,050</u>	<u>43,471</u>	<u>704,521</u>
Expenditures:			
Support services:			
Instructional staff	-	3,750	3,750
Administration	4	4,097	4,101
Operation and maintenance of plant	53,164	23,408	76,572
Transportation	123,187	-	123,187
Capital outlay	2,621,186	10,632	2,631,818
Total expenditures	<u>2,797,541</u>	<u>41,887</u>	<u>2,839,428</u>
Excess(Deficiency) of revenues over(under) expenditures	(2,136,491)	1,584	(2,134,907)
Other financing sources(uses):			
Transfer in	5,099	-	5,099
Transfer out	(381,534)	-	(381,534)
Total other financing sources(uses)	<u>(376,435)</u>	<u>-</u>	<u>(376,435)</u>
Change in fund balances	(2,512,926)	1,584	(2,511,342)
Fund balances beginning of year	<u>2,937,475</u>	<u>12,259</u>	<u>2,949,734</u>
Fund balances end of year	<u>\$ 424,549</u>	<u>13,843</u>	<u>438,392</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund/ Intrafund Transfers	Balance End of Year
<b>Athletics:</b>					
Basketball	\$ 122	21,171	19,320	(1,890)	83
Track	-	9,300	9,134	(81)	85
Cross Country	-	-	1,094	1,094	-
Golf	-	406	771	396	31
Football	-	14,719	14,745	26	-
Baseball & Camp	174	4,869	7,780	3,155	418
Wrestling	-	6,670	5,924	(700)	46
Volleyball	180	2,977	1,604	(1,500)	53
Softball	-	3,443	7,910	4,467	-
Softball and Camp	580	691	680	-	591
General Athletics	-	-	3,001	3,001	-
Season Passes	-	3,400	25	(3,375)	-
Girls Basketball Camp	5,683	16,326	16,990	16	5,035
Boys Basketball Camp	555	2,273	3,844	1,273	257
Cross Country Camp	75	3,081	2,540	500	1,116
Football Camp	1,010	20,644	20,504	(176)	974
Wrestling Camp	-	1,988	1,988	-	-
Golf camp	-	547	604	57	-
Volleyball Camp	1,659	2,046	2,981	-	724
Baseball	-	7,239	10,272	3,033	-
	<u>10,038</u>	<u>121,790</u>	<u>131,711</u>	<u>9,296</u>	<u>9,413</u>
<b>Athletic Support:</b>					
Cheerleading Camp	-	2,758	2,547	(136)	75
Drill Team	758	1,125	1,615	-	268
	<u>758</u>	<u>3,883</u>	<u>4,162</u>	<u>(136)</u>	<u>343</u>
<b>Clubs:</b>					
Timber	982	80	-	-	1,062
International Club	893	395	316	(90)	882
TSA Club	2,443	6,094	5,834	-	2,703
Drama/Play Club	375	3,057	2,493	(866)	73
Speech Club	-	56	222	166	-
National Honor Society	2,102	-	614	-	1,488
SADD	919	-	-	-	919
Academic Bowl	563	575	414	(133)	591
Weight Club	-	-	722	722	-
MOB - Basketball	79	1,025	1,088	-	16
MOB - Football	43	1,985	2,303	275	-
Music Boosters	301	1,666	1,592	-	375
Fellowship of Christian Athletes	470	961	939	-	492
Go Ape	3,778	6,715	8,717	-	1,776
	<u>12,948</u>	<u>22,609</u>	<u>25,254</u>	<u>74</u>	<u>10,377</u>
<b>Graduation Classes:</b>					
Class of 2017	1,123	13,728	16,820	1,969	-
Class of 2018	520	3,787	4,179	-	128
Class of 2019	235	235	11	-	459
Class of 2020	-	145	58	-	87
	<u>1,878</u>	<u>17,895</u>	<u>21,068</u>	<u>1,969</u>	<u>674</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Interfund/ Intrafund Transfers	Balance End of Year
Vocational Groups:					
FFA	4,290	72,702	78,634	2,755	1,113
FFA - Middle School	1,611	3,548	1,318	(2,735)	1,106
FCCLA	417	204	332	160	449
FBLA	-	2,002	2,375	373	-
	<u>6,318</u>	<u>78,456</u>	<u>82,659</u>	<u>553</u>	<u>2,668</u>
Yearbook:					
Annual	<u>19,324</u>	<u>12,479</u>	<u>16,532</u>	<u>(4,600)</u>	<u>10,671</u>
Student Councils:					
HS Student Council	652	1,265	1,221	250	946
MS Student Council	634	-	-	-	634
	<u>1,286</u>	<u>1,265</u>	<u>1,221</u>	<u>250</u>	<u>1,580</u>
JR/SR Awards:					
Awards	479	-	2,337	1,858	-
Middle School Fundraiser	2,387	5,576	8,813	850	-
	<u>2,866</u>	<u>5,576</u>	<u>11,150</u>	<u>2,708</u>	<u>-</u>
Band/Chorus/Art:					
Music Camp	5,206	-	1,355	(1,030)	2,821
Instrumental Music	-	-	1,030	1,030	-
Vocal Music	-	1,096	1,034	-	62
	<u>5,206</u>	<u>1,096</u>	<u>3,419</u>	<u>-</u>	<u>2,883</u>
Miscellaneous Accounts:					
Pepsi	-	286	-	(286)	-
Pepsi-Café	-	413	-	(413)	-
Fall Concessions	-	16,629	12,120	(4,509)	-
Winter Concessions	-	15,688	12,651	(3,037)	-
Summer Concessions	2,124	8,706	6,027	(2,324)	2,479
Spring Concessions	-	5,836	5,735	(101)	-
Interest	1	118	-	(26)	93
Student Resale	-	-	-	1,241	1,241
	<u>2,125</u>	<u>47,676</u>	<u>36,533</u>	<u>(9,455)</u>	<u>3,813</u>
Total	<u>\$ 62,747</u>	<u>312,725</u>	<u>333,709</u>	<u>659</u>	<u>42,422</u>

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUND - SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2017

	Private Purpose Trust									
	Scholarship Accounts									
	Bennett	Logsdon	Johnston	McAlwee	General	Miles	Leeper	Decker	Showers	
	Scholarship	Scholarship	Memorial	Memorial	Scholarship	Scholarship	Scholarship	Scholarship	Haystack	Total
									Memorial	
<b>ASSETS</b>										
Cash and pooled investments	\$ 1,142	5,271	4,787	7,598	1,500	2,119	443	648	975	24,483
<b>LIABILITIES</b>										
Accounts payable	-	-	-	-	-	-	-	-	-	-
<b>NET POSITION</b>										
Held in trust for scholarships	\$ 1,142	5,271	4,787	7,598	1,500	2,119	443	648	975	24,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUND - SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

	Private Purpose Trust											Total
	Scholarship Fund Accounts											
	Bennett Scholarship	Logsdon Scholarship	Johnston Memorial	McAlwee Memorial	General Scholarship	Miles Horn Scholarship	Carter Nursing Scholarship	Leeper Scholarship	Vaughn Scholarship	Decker Scholarship	Showers Haystack Memorial	
Local sources:												
Gifts and contributions	\$ -	-	-	-	250	-	-	500	300	-	791	1,841
Deductions:												
Instruction:												
Regular:												
Scholarships awarded	100	300	-	100	-	-	101	600	300	50	766	2,317
Change in net position	(100)	(300)	-	(100)	250	-	(101)	(100)	-	(50)	25	(476)
Net position beginning of year	1,242	5,571	4,787	7,698	1,250	2,119	101	543	-	698	950	24,959
Net position end of year	\$ 1,142	5,271	4,787	7,598	1,500	2,119	-	443	-	648	975	24,483

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 2,486,718	2,358,623	2,285,479	2,380,758	2,855,058	2,960,170	2,852,179	2,583,949	2,503,149	2,348,093
Tuition	460,516	474,394	421,051	445,865	354,838	338,415	398,469	290,701	335,722	287,073
Other	531,814	625,828	444,559	592,996	474,301	543,840	452,114	459,777	497,025	435,878
State sources	5,983,341	5,750,710	5,445,298	5,255,947	4,486,277	4,403,910	4,142,177	3,730,488	4,122,242	4,184,634
Federal sources	991,407	1,028,208	986,901	831,416	505,647	500,874	734,442	1,106,801	775,335	354,877
<b>Total</b>	<b>\$ 10,453,796</b>	<b>10,237,763</b>	<b>9,583,288</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>
Expenditures:										
Instruction:										
Regular	\$ 2,919,271	2,936,328	2,890,197	3,105,494	2,756,073	2,610,315	2,414,451	2,962,760	3,584,369	2,116,372
Special	1,158,743	1,118,494	1,091,689	1,164,160	1,238,797	1,190,642	1,148,670	1,080,114	401,003	1,361,384
Other	1,370,287	1,237,258	1,224,081	1,362,126	1,326,909	1,363,659	1,312,178	651,225	743,410	1,118,937
Support services:										
Student	379,940	289,102	262,382	274,920	231,421	209,259	138,733	132,480	131,405	128,839
Instructional staff	743,552	786,982	689,661	652,927	562,322	332,397	301,322	267,068	312,658	245,886
Administration	839,685	922,707	801,868	779,188	706,602	641,819	637,816	668,077	738,026	659,815
Operation and maintenance of plant	780,020	691,150	722,658	815,101	763,480	628,732	589,465	587,342	572,399	590,346
Transportation	657,069	558,872	520,665	680,949	585,460	567,308	491,955	469,517	411,817	434,587
Non-instructional programs	518	9,130	9,587	9,613	10,952	333	894	781	586	374
Capital outlay	2,631,818	2,360,336	412,527	189,919	238,556	483,323	648,649	804,990	255,371	741,155
Long-term debt:										
Principal	510,000	634,444	360,276	356,227	215,000	215,000	165,000	160,000	155,000	145,000
Interest and fiscal charges	145,723	142,984	59,909	67,918	59,223	62,195	183,704	124,275	130,862	137,025
Other expenditures:										
AEA flow-through	287,339	286,023	281,544	265,441	249,707	249,841	281,671	280,012	253,488	245,664
<b>Total</b>	<b>\$ 12,423,965</b>	<b>11,973,810</b>	<b>9,327,044</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>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
INDIRECT:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY 17	\$ 84,869
National School Lunch Program	10.555	FY 17	264,673
Summer Food Service Program for Children	10.559	FY 17	<u>13,170</u>
			<u>362,712</u>
State of Iowa:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 17	<u>200</u>
Fresh Fruit and Vegetable Program	10.582	FY 17	<u>25,601</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 17	<u>231,709</u>
Twenty-First Century Community Learning Centers	84.287	FY 17	<u>136,406</u>
Rural Education	84.358	FY 17	<u>15,580</u>
Supporting Effective Instruction State Grants	84.367	FY 17	<u>40,951</u>
Grants for State Assessments and Related Activities	84.369	FY 17	<u>1,394</u>
Green Hills Area Education Agency:			
Special Education - Grants to States	84.027	FY 17	<u>35,415</u>
Iowa Department of Education:			
Lamoni Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY 17	<u>10,785</u>
National Institute for Excellence in Teaching:			
Teacher and School Leader Incentive Grants	84.374	FY 17	<u>440,293</u>
Total			<u>\$ 1,301,046</u>

\* - Includes \$41,893 of non-cash awards.

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant activity of the Central Decatur Community School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Central Decatur Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Central Decatur Community School District.

**Summary of Significant Accounting Policies** - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditure are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** - Central Decatur Community School District did not elect to use the 10% de minimis indirect cost rate as allowed under the uniform guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

We have audited 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, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2018.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-17 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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-17 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Decatur Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,

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providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Central Decatur Community School District's Responses to Findings**

Central Decatur Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Central Decatur Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 9, 2018  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
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**Independent Auditor's Report on Compliance for Each  
Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

**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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 of the major federal programs. However, our audit does not provide a legal determination of Central Decatur Community School District's compliance.

**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 in each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

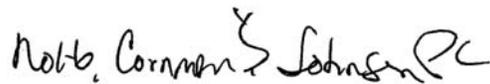
The management of Central Decatur Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Decatur Community 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 the Uniform Guidance, 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.

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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, as item 2017-001, that we consider to be a material weakness.

Central Decatur Community School District's responses to the internal control over compliance identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Central Decatur Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2018  
Newton, Iowa

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness and significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over each major program 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 disclosed audit findings which were required to be reported in accordance with Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - CFDA Number 84.374 - Teacher and School Leader Incentive Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (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, 2017

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

**INSTANCES OF NON-COMPLIANCE:**

None noted.

**INTERNAL CONTROL DEFICIENCIES:**

II-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition - 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 one or more 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) Computer systems - performing all general accounting functions and controlling all data input and output for the School Nutrition Fund and Governmental Funds.
- 5) Journal entries - approval and posting.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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.

## II-B-17 Credit Card Purchase Orders

Criteria - An effective internal control system provides for internal controls related to ensuring proper accounting for disbursements. Internal controls over safeguarding assets constitutes a process designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Condition - We noted during our audit the District has a purchase order requisition process in place for making purchases with District credit/store cards. However, we noted multiple instances of transactions lacking purchase orders or purchase orders dated and approved after the ordering of goods/services had already taken place on purchases made with District's credit/store cards.

Cause - The District appears to have policies and procedures to ensure all credit card purchases are properly approved, however these policies do not always appear to be followed or enforced.

Effect - Without enforcement of District policies and procedures already in place, purchases could be made with District credit/store cards which do not serve a public purpose, are an unallowable expense, or do not fit within the budget of the District. These purchases could result in improper transactions and the opportunity for misappropriation.

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

The District's current credit card purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of items takes place. In the event of purchases being approved after items are already received or paid for the District should require appropriate supporting documentation to be maintained to justify why the purchase is acceptable and appropriate. This approval should be done by the appropriate administrator and documentation kept with the invoice in question.

Response - The District will review procedures for credit card purchases with department coordinators and building administrators and staff in order to ensure expenditures are authorized prior to purchase. Additionally, the District is evaluating the use of an online purchase process to create a more effective and efficient system for district purchases.

Conclusion - Response accepted.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 84.010 - Title I Grants to Local Educational Agencies  
Pass-Through Entity Identifying Number: FY17  
Federal Award Year: 2017  
Prior Year Finding Number: (2016-001)  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.374 - Teacher and School Leader Incentive Grants  
Pass-Through Entity Identifying Number: FY17  
Federal Award Year: 2017  
Prior Year Finding Number: (2016-001)  
U.S. Department of Education  
Passed through the National Institute for Excellence in Teaching

III-A-17

(2017-001) Segregation of Duties - We noted during our audit the District did not properly segregate cash, investments, receipts, computer systems and journal entries including those related to federal programs. See II-A-17.

CENTRAL DECATUR COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2017

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

IV-A-17 Certified Budget - District expenditures for the year ended June 30, 2017 did not exceed the amended certified amounts budgeted.

IV-B-17 Questionable Disbursements - During our audit we noted instances of questioned items as follows:

**Sales Tax Payments:** We noted purchases made by the District for the full purchase price, including sales tax made with the District's BMO credit cards. The District is a tax-exempt entity and sales tax expenditures would not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to avoid paying sales tax in order to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District has reviewed procedures in place for purchase by district staff and the sales tax exemption as it applies to public education and our school district. District administration will continue to review this process with building administration and staff, as well as include in the district employee handbook.

Conclusion - Response accepted.

IV-C-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

Name, Title and Business Connection	Transaction Description	Amount
Scott Valentine, Business Ed Teacher Valentine Music Production	Purchased Services	\$ 550
Bruce Miller, Bus Driver Gatekeeper Security and Locks	Locksmith Services	248
Shane Akers, Coach Part Owner of Bullpen	Baseball equipment	1,697
Turner Devore, Teacher/Coach Part Owner of Bullpen	Baseball equipment	1,697

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with employees of the District do not appear to represent conflicts of interest.

IV-E-17 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 ensure the coverage is adequate for current operations.

IV-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been

approved by the Board.

- IV-G-17 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-17 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-17 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-17 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-17 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provided in 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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 2,937,475
Revenues/transfers in:		
Sales tax revenues	\$ 655,015	
Other local revenues	6,035	
Transfer from Other Funds	5,099	666,149
		<u>3,603,624</u>
Expenditures/transfer out:		
School infrastructure construction	\$ 2,585,876	
Equipment	142,144	
Other	69,522	
Transfer to another fund:		
Debt service fund	380,875	
Other Transfers	658	3,179,075
		<u>3,179,075</u>
Ending Balance		<u>\$ 424,549</u>

For the year ended June 30, 2017, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.01530	\$ 2,000

- IV-M -17 Financial Condition - The Enterprise, School Nutrition Fund a deficit unrestricted net position of \$200,081 and a deficit total net positions of \$152,324 at June 30, 2017. The

District's net pension liability, related deferred inflows and outflows contributed to this amount but were not the sole reasons for these deficit net positions.

Recommendation - The District should continue to review the School Nutrition Fund revenues and expenditures and take steps developing and implementing a plan to bring this fund back to self-sustainability.

Response - The District Superintendent and School Business Official have met and will continue to meet with the Director of Nutrition Services on a regular basis to review the ongoing financial condition of the Nutrition Fund and assess measures taken, as well as evaluate other necessary interventions to maintain a healthy balance.

Conclusion - Response accepted.

IV-N -17 Board Policies - The School Board is responsible for establishing and maintaining updated board policies. We noted during our audit instances of board policies which do not appear to have been reviewed or updated within the last five years.

Recommendation - The District should review its board policies and update all policies which have not been updated within the past five years. The District should implement additional steps to review board policies in a timely manner.

Response - The District has developed a schedule to review all board policies on a cyclical basis with the Board of Education. The District has updated the policies that were not updated within the last five years and will continue to monitor all policies to ensure they remain updated.

Conclusion - Response accepted.

IV-O -17 Additional Student Fees Charged - We noted that fees were charged for the Senior trip, which was taken during days counted towards the District's 180 days of instruction. A Declaratory Ruling issued August 4, 2008 by the Department of Education states that trips taken on days counted towards the District's 180 days of instruction are considered part of class/instruction. Fees charged for these trips are considered tuition, which is not an allowable fee to be charged to students, under Iowa Code section 282.6.

Recommendation - The district should make changes to the timing or funding of the Senior trip, in order to comply with Iowa Code 282.6, tuition requirements, and allowable fee as established by the Declaratory Ruling issued by the Iowa Department of Education.

Response - The District Superintendent has reviewed this policy with Building Administration to ensure that no fees are charged for a Senior Trip, if it occurs during the school year.

Conclusion - Response accepted.