

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

JUNE 30, 2004

NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Centerville Community School District in Centerville, Iowa.

The District's revenues for the governmental funds totaled \$13,338,217 for the year ended June 30, 2004 and included \$3,548,519 in local tax, \$7,731,425 from the state, \$942,686 from the federal government and \$14,549 in interest on investments.

Governmental fund expenditures for the year totaled \$14,086,369 and included \$9,077,937 for instruction, \$3,562,355 for support services and \$1,411,664 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		38-39
Budgetary Comparison Schedule- Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	43-44
Schedule of Changes in Expendable Trust Accounts	3	45
Schedule of Changes in Private-purpose Trust Accounts	4	46
Schedule of Changes in Student Activity Accounts	5	47-48
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7	50
Schedule of Expenditures of Federal Awards	8	51-52
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		53-54
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance		55-56
Schedule of Findings and Questioned Costs		57-61

Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2003 Election)</b>		
Richard Roos	President	2005
Debbie Eurom	Vice President	2004
Bill Matkovich	Board Member	2005
Brian Kauzlarich	Board Member	2005
Deborah Egeland	Board Member	2004
Kris Hoffman	Board Member	2003
Steve Hoch	Board Member	2003

<b>Board of Education (After September 2003 Election)</b>		
Kris Hoffman	President	2006
Richard Roos	Vice President	2005
Deborah Egeland	Board Member	2004
Debbie Eurom	Board Member	2004
Steve Hoch	Board Member	2006
Brian Kauzlarich	Board Member (Deceased)	2005
Shawna Stickler	Board Member (Appointed)	2004
Bill Matkovich	Board Member	2005

<b>School Officials</b>		
Richard Turner	Superintendent	2004
Linda Henderson	District Secretary/Treasurer and Business Manager	2004
Rick Engel	Attorney	2004

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

### INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Centerville Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Centerville Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

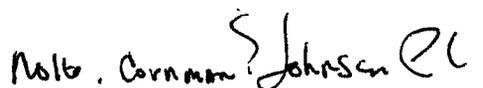
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Centerville Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 13, 2004 on our consideration of the Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

September 13, 2004

---

---

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

---

---

Centerville 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,666,749 in fiscal 2003 to \$12,095,424 in fiscal 2004, while General Fund expenditures increased from \$11,827,644 in fiscal 2003 to \$12,403,549 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from of \$474,900 in fiscal 2003 to a balance of \$166,775 in fiscal 2004, a 65% decrease from the prior year.
- The increase in General Fund revenues was attributable to a increase in federal revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's General Fund increase in revenue for fiscal 2004. As a result, the District's General Fund decreased.
- A decline in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone to decrease from \$46,428 in fiscal year 2003 to \$13,195 in fiscal year 2004.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Centerville 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 Centerville 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 Centerville Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

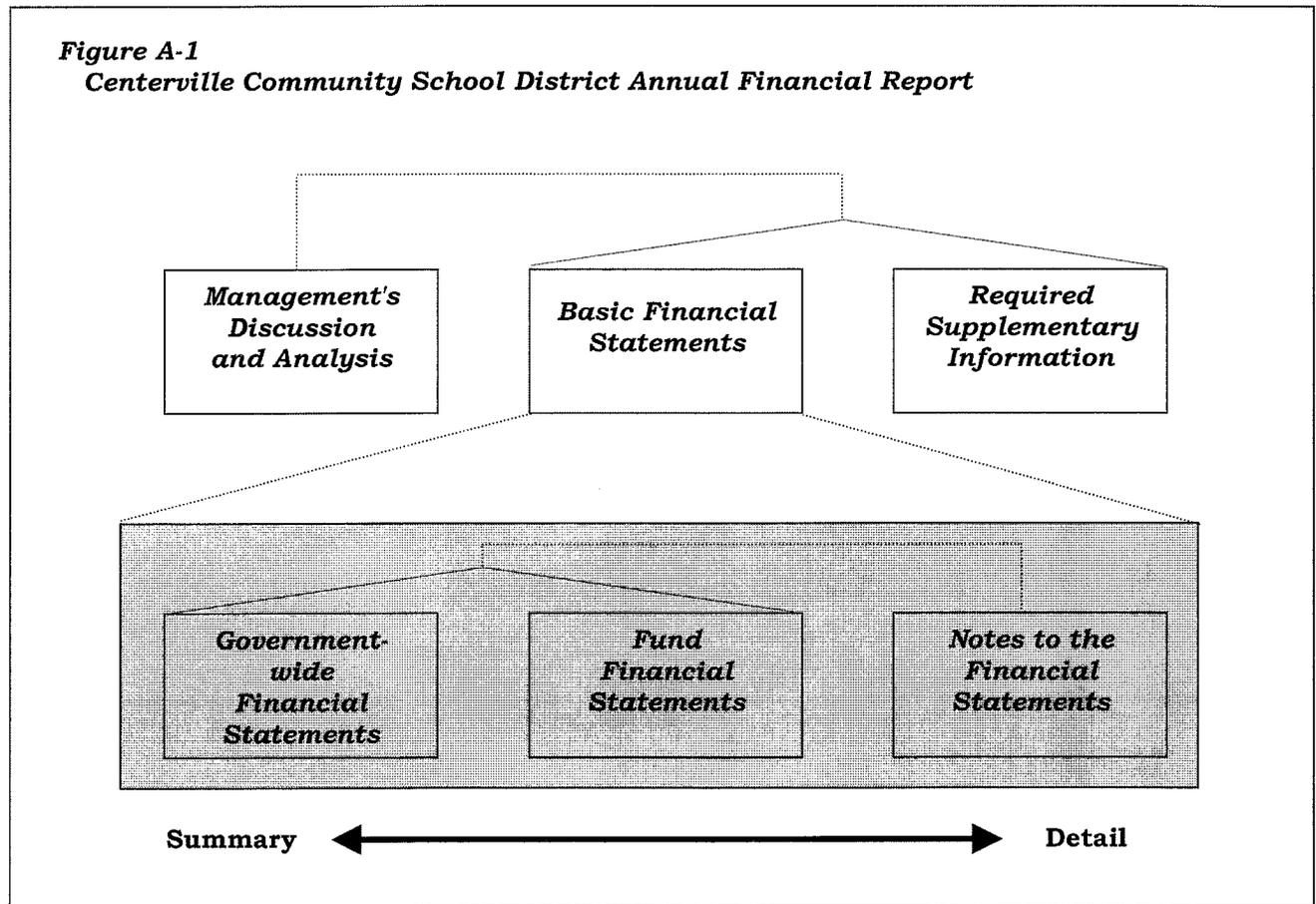


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

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

---

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service 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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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 Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 6,165,173	8,556,656	75,447	61,858	6,240,620	8,618,514	-27.59%
Capital assets	4,052,221	4,174,745	73,324	76,471	4,125,545	4,251,216	-2.96%
Total assets	10,217,394	12,731,401	148,771	138,329	10,366,165	12,869,730	-19.45%
Long-term obligations	3,378,845	3,503,197	0	0	3,378,845	3,503,197	-3.55%
Other liabilities	5,712,851	7,372,238	11,160	16,181	5,724,011	7,388,419	-22.53%
Total liabilities	9,091,696	10,875,435	11,160	16,181	9,102,856	10,891,616	-16.42%
Net assets:							
Invested in capital assets, net of related debt	1,381,784	1,173,745	73,324	76,471	1,455,108	1,250,216	16.39%
Restricted	388,914	484,823	0	0	388,914	484,823	-19.78%
Unrestricted	(645,000)	197,398	64,287	45,677	(580,713)	243,075	-338.90%
Total net assets	\$ 1,125,698	1,855,966	137,611	122,148	1,263,309	1,978,114	-36.14%

The District's combined net assets decreased by 36% or \$714,805 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$95,909 or 20% over the prior year. The decrease was primarily a result of decreased revenues in most funds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$831,075 or nearly 341%. This decrease in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,101,038	941,733	239,989	232,246	1,341,027	1,173,979	14.23%
Operating grants and contributions and restricted interest	1,799,648	1,787,649	345,146	337,446	2,144,794	2,125,095	0.93%
Capital grants and contributions and restricted interest	143,498	3,789	0	0	143,498	3,789	3687.23%
<b>General revenues:</b>							
Local tax	3,546,335	3,670,268	0	0	3,546,335	3,670,268	-3.38%
Unrestricted state grants	6,730,965	6,637,426	0	0	6,730,965	6,637,426	1.41%
Other	14,549	35,973	238	(11,918)	14,787	24,055	-38.53%
<b>Total revenues</b>	<b>13,336,033</b>	<b>13,076,838</b>	<b>585,373</b>	<b>557,774</b>	<b>13,921,406</b>	<b>13,634,612</b>	<b>2.10%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	9,156,634	8,782,173	0	0	9,156,634	8,782,173	4.26%
Support services	3,523,303	3,676,381	0	0	3,523,303	3,676,381	-4.16%
Non-instructional programs	43,061	39,063	569,910	577,362	612,971	616,425	-0.56%
Other expenses	1,343,303	1,600,941	0	0	1,343,303	1,600,941	-16.09%
<b>Total expenses</b>	<b>14,066,301</b>	<b>14,098,558</b>	<b>569,910</b>	<b>577,362</b>	<b>14,636,211</b>	<b>14,675,920</b>	<b>-0.27%</b>
Changes in net assets	(730,268)	(1,021,720)	15,463	(19,588)	(714,805)	(1,041,308)	-31.36%
Net assets beginning of year	1,855,966	2,877,686	122,148	141,736	1,978,114	3,019,422	-34.49%
<b>Net assets end of year</b>	<b>\$ 1,125,698</b>	<b>1,855,966</b>	<b>137,611</b>	<b>122,148</b>	<b>1,263,309</b>	<b>1,978,114</b>	<b>-36.14%</b>

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

---

## Governmental Activities

Revenues for governmental activities were \$13,336,033 and expenses were \$14,066,301.

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.

Figure A-5

Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 9,156,634	6,595,158
Support services	3,523,303	3,513,053
Non- instructional	43,061	43,061
Other expenses	1,343,303	870,845
Totals	<u>\$ 14,066,301</u>	<u>11,022,117</u>

- The cost financed by users of the District's programs was \$1,101,038.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,943,146.
- The net cost of governmental activities was financed with \$3,546,335 in local tax, \$6,730,965 in unrestricted state grants, and \$14,549 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$585,373 and expenses were \$569,910. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Centerville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$379,990, below last year's ending fund balances of a \$1,128,142. However, the primary reason for the decrease was the increased expenditures in most funds.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increase in federal grants resulted in an increase in revenues. The increase in revenues was less than the increase in General Fund expenditures ensuring the financial position of the District decrease.
- The Expendable Trust, and Activity Fund combined balance increased from \$318,735 in 2003, to \$329,500 in 2004, due to the controlled spending in the Activity fund.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$195,414 to (\$168,120), due to a transfer to the Capital Projects fund for building improvements.

- 
- The Management fund balance decreased during the current year, from \$38,594 to (\$45,395). This was a result of an increase in expenditures.
  - The Debt Service fund balance decreased from \$100,499 to \$97,230.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$122,148 at June 30, 2003 to \$137,611 at June 30, 2004, representing an increase of approximately 13%. For fiscal 2004, the District increased meal prices, resulting in increased revenues.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Centerville Community School District amended its annual budget two times to reflect additional revenue and expenditures associated with the increase in salaries.

The District's revenues were \$441,343 less than budgeted revenues, a variance of 3.2%. The most significant variance resulted from the District receiving less in state revenue than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional program area due to timing of the disbursements paid at the year end without sufficient time to amend the certified budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of less than 1% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$337,315.

The original cost of the District's capital assets was \$11.9 million. Governmental funds account for \$11.7 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$327,547 at June 30, 2004, compared to \$288,584 reported at June 30, 2003. This increase resulted from the resurfacing of a new track during the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total Change 2003-04
	Activities		Activities		School District		
	2004	2003	2004	2003	2004	2003	
Land	\$ 159,400	159,400	0	0	159,400	159,400	0.00%
Buildings	3,249,774	3,407,849	0	0	3,249,774	3,407,849	-4.64%
Improvements other than buildings	327,547	288,584	0	0	327,547	288,584	13.50%
Machinery and equipment	315,500	318,912	73,324	76,471	388,824	395,383	-1.66%
Total	\$ 4,052,221	4,174,745	73,324	76,471	4,125,545	4,251,216	-2.96%

### Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$3,366,178 in general obligation bonds, capital loan notes, compensated absences, and early retirement. This represents a decrease of approximately 4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,755,000 at June 30, 2004.

The District had capital loan notes of \$57,000, at June 30, 2004.

The District had compensated absences of \$72,339, at June 30, 2004.

The District also had total outstanding early retirement payable of \$481,839 at June 30, 2004.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,755,000	2,915,000	-5.5%
Capital loan notes	57,000	86,000	-33.7%
Early retirement	481,839	447,728	7.6%
Compensated absences	72,339	58,886	22.8%
Total	\$ 3,366,178	3,507,614	-4.0%

### 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:

- Although the District has experienced declining enrollment for a few years, the District expects enrollment to decline next year.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005. The budget guarantee is a relatively minor part of Centerville's budget.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

---

## **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 Linda Henderson, District Secretary/Treasurer and Business Manager, Centerville Community School District, P.O. Box 370, Centerville, Iowa, 52544.

BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP (Note 5)	\$ 1,915,449	0	1,915,449
Other	451,776	62,538	514,314
Receivables:			
Property tax:			
Delinquent	58,607	0	58,607
Succeeding year	3,315,762	0	3,315,762
Income surtax	72,332	0	72,332
Interfund	80,000	0	80,000
Accounts	5,600	3,053	8,653
Accrued interest			
ISCAP (Note 5)	3,122	0	3,122
Due from other governments	262,525	0	262,525
Inventories	0	9,856	9,856
Capital assets, net of accumulated depreciation (Note 6)	4,052,221	73,324	4,125,545
<b>TOTAL ASSETS</b>	<b>10,217,394</b>	<b>148,771</b>	<b>10,366,165</b>
<b>LIABILITIES</b>			
Interfund payable	80,000	0	80,000
Accounts payable	177,042	702	177,744
Interest payable	12,667	0	12,667
Salaries and benefits payable	209,566	4,567	214,133
ISCAP warrants payable (Note 5)	1,923,000	0	1,923,000
ISCAP accrued interest payable (Note 5)	4,734	0	4,734
ISCAP premiums payable	2,747	0	2,747
Deferred revenue:			
Succeeding year property tax	3,315,762	0	3,315,762
Other	0	5,891	5,891
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds	165,000	0	165,000
Capital loan notes	57,000	0	57,000
Early retirement	133,761	0	133,761
Compensated absences	72,339	0	72,339
Portion due after one year:			
General obligation bonds	2,590,000	0	2,590,000
Early retirement	348,078	0	348,078
<b>TOTAL LIABILITIES</b>	<b>9,091,696</b>	<b>11,160</b>	<b>9,102,856</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,381,784	73,324	1,455,108
Restricted for:			
Early intervention	4,666	0	4,666
Talented and gifted	27,157	0	27,157
Phase III	26,946	0	26,946
Teacher quality	645	0	645
Other special revenue purposes	329,500	0	329,500
Unrestricted	(645,000)	64,287	(580,713)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,125,698</b>	<b>137,611</b>	<b>1,263,309</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,619,138	224,338	1,321,903	143,498
Special instruction	2,602,416	94,213	0	0
Other instruction	935,080	777,524	0	0
	9,156,634	1,096,075	1,321,903	143,498
Support services:				
Student services	423,393	0	0	0
Instructional staff services	249,080	0	0	0
Administration services	1,009,575	0	0	0
Operation and maintenance of plant services	1,244,897	0	0	0
Transportation services	596,358	4,963	5,287	0
	3,523,303	4,963	5,287	0
Non-instructional:				
Food service operation	43,061	0	0	0
Other expenditures:				
Facilities acquisitions	540,406	0	0	0
Long-term debt interest	164,527	0	0	0
AEA flowthrough	472,458	0	472,458	0
Depreciation (unallocated)*	165,912	0	0	0
	1,343,303	0	472,458	0
Total governmental activities	14,066,301	1,101,038	1,799,648	143,498
Business-Type activities:				
Non-instructional programs:				
Nutrition services	569,910	239,989	345,146	0
Total business-type activities	569,910	239,989	345,146	0
Total	\$ 14,636,211	1,341,027	2,144,794	143,498

**General Revenues:**

Property tax levied for:  
  General purposes  
  Debt services  
  Capital outlay  
Unrestricted state grants  
Unrestricted investment earnings  
Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,929,399)	0	(3,929,399)
(2,508,203)	0	(2,508,203)
(157,556)	0	(157,556)
(6,595,158)	0	(6,595,158)
(423,393)	0	(423,393)
(249,080)	0	(249,080)
(1,009,575)	0	(1,009,575)
(1,244,897)	0	(1,244,897)
(586,108)	0	(586,108)
(3,513,053)	0	(3,513,053)
(43,061)	0	(43,061)
(540,406)	0	(540,406)
(164,527)	0	(164,527)
0	0	0
(165,912)	0	(165,912)
(870,845)	0	(870,845)
(11,022,117)	0	(11,022,117)
0	15,225	15,225
0	15,225	15,225
(11,022,117)	15,225	(11,006,892)
\$ 2,953,278	0	2,953,278
312,182	0	312,182
280,875	0	280,875
6,730,965	0	6,730,965
14,549	238	14,787
10,291,849	238	10,292,087
(730,268)	15,463	(714,805)
1,855,966	122,148	1,978,114
\$ 1,125,698	137,611	1,263,309

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other Governmental Funds	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP (Note 5)	\$ 1,915,449	0	1,915,449
Other	107,962	343,814	451,776
Receivables:			
Property tax			
Delinquent	47,387	11,220	58,607
Succeeding year	2,924,013	391,749	3,315,762
Income surtax	0	72,332	72,332
Interfund	80,000	0	80,000
Accounts	930	4,670	5,600
Accrued interest			
ISCAP (Note 5)	3,122	0	3,122
Due from other governments	262,525	0	262,525
<b>TOTAL ASSETS</b>	<b>\$ 5,341,388</b>	<b>823,785</b>	<b>6,165,173</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 0	80,000	80,000
Accounts payable	110,553	66,489	177,042
Salaries and benefits payable	209,566	0	209,566
ISCAP warrants payable (Note 5)	1,923,000	0	1,923,000
ISCAP accrued interest payable (Note 5)	4,734	0	4,734
ISCAP premiums payable	2,747	0	2,747
Deferred revenue:			
Succeeding year property tax	2,924,013	391,749	3,315,762
Income surtax	0	72,332	72,332
Total liabilities	5,174,613	610,570	5,785,183
Fund balances:			
Reserved for:			
Early intervention	4,666	0	4,666
Talented and gifted	27,157	0	27,157
Phase III	26,946	0	26,946
Teacher quality	645	0	645
Unreserved:			
Undesignated	107,361	213,215	320,576
Total fund balances	166,775	213,215	379,990
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,341,388</b>	<b>823,785</b>	<b>6,165,173</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

<b>Total fund balances of governmental funds (page 17)</b>	\$ 379,990
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	4,052,221
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,667)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	72,332
Long-term liabilities, including bonds payable, compensated absences payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,366,178)</u>
<b>Net assets of governmental activites (page 14)</b>	<u>\$ 1,125,698</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004

	General	Other Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 2,810,007	738,512	3,548,519
Tuition	318,551	0	318,551
Other	450,353	346,683	797,036
State sources	7,717,325	14,100	7,731,425
Federal sources	799,188	143,498	942,686
Total revenues	12,095,424	1,242,793	13,338,217
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular instruction	5,505,463	63,846	5,569,309
Special instruction	2,585,388	0	2,585,388
Other instruction	619,510	303,730	923,240
	8,710,361	367,576	9,077,937
Support services:			
Student services	445,800	9,313	455,113
Instructional staff services	258,357	0	258,357
Administration services	984,942	67,906	1,052,848
Operation and maintenance of plant services	1,000,426	234,590	1,235,016
Transportation services	531,205	29,816	561,021
	3,220,730	341,625	3,562,355
Non-instructional:			
Food service operations	0	34,413	34,413
Other expenditures:			
Facilities acquisitions	0	584,523	584,523
Long-term debt:			
Principal	0	189,000	189,000
Interest and fiscal charges	0	165,683	165,683
AEA flowthrough	472,458	0	472,458
	472,458	939,206	1,411,664
Total expenditures	12,403,549	1,682,820	14,086,369
Excess(deficiency) of revenues over(under) expenditures	(308,125)	(440,027)	(748,152)
Other financing sources(uses):			
Transfers in	0	497,408	497,408
Transfers out	0	(497,408)	(497,408)
Total other financing sources(uses)	0	0	0
Net change in fund balances	(308,125)	(440,027)	(748,152)
Fund balance beginning of year	474,900	653,242	1,128,142
Fund balance end of year	\$ 166,775	213,215	379,990

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE 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, 2004

Net change in fund balances - total governmental funds (page 19) \$ (748,152)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 237,926	
Depreciation expense	(326,405)	(88,479)

The proceeds from the sale of equipment (\$0) are reported as revenue in the governmental funds. However, the cost of the equipment as well as the corresponding depreciation (\$34,045) is removed from the capital assets account in the Statement of Net Assets and offset against the sale proceeds resulting in a "loss on disposal of equipment" which is reported within the government-type expenses. Thus, more revenue is reported in the governmental funds than the Statement of Activities. (34,045)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 189,000

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. 1,156

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 fund.

Early retirement	\$ 34,111	
Compensated absences	13,453	(47,564)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,184)

**Changes in net assets of governmental activities (page 16) \$ (730,268)**

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2004

	School Nutrition
ASSETS	
Cash and cash equivalents	\$ 62,538
Accounts receivable	3,053
Inventories	9,856
Capital assets, net of accumulated depreciation	73,324
TOTAL ASSETS	<u>148,771</u>
LIABILITIES	
Accounts payable	702
Salaries and benefits payable	4,567
Deferred revenues	5,891
TOTAL LIABILITES	<u>11,160</u>
NET ASSETS	
Invested in capital assets, net of related debt	73,324
Unrestricted	64,287
TOTAL NET ASSETS	<u>\$ 137,611</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 172,237
Adults	17,204
A la carte	46,092
Miscellaneous	4,456
TOTAL OPERATING REVENUES	239,989
OPERATING EXPENSES:	
Food service operations:	
Salaries	209,714
Benefits	63,485
Services	10,540
Supplies	275,261
Depreciation	10,910
TOTAL OPERATING EXPENSES	569,910
OPERATING LOSS	(329,921)
NON-OPERATING REVENUES:	
Gain on disposal of assets	2,354
Interest	238
State sources	8,195
Federal sources	334,597
TOTAL NON-OPERATING REVENUES	345,384
Net income	15,463
Retained earnings at beginning of year	122,148
Retained earnings end of year	\$ 137,611

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 231,933
Cash received from miscellaneous operating activities	4,456
Cash payments to employees for services	(273,768)
Cash payments to suppliers for goods or services	(253,168)
Net cash used in operating activities	(290,547)
Cash flows from non-capital financing activities:	
State grants received	8,195
Federal grants received	307,824
Net cash provided by non-capital financing activities	316,019
Cash flows from investing activities:	
Interest on investments	238
Net cash provided by investing activities	238
Cash flows from capital financing activities:	
Purchase of assets	(5,409)
Net cash used by financing activities	(5,409)
Net increase in cash and cash equivalents	20,301
Cash and cash equivalents at beginning of year	42,237
Cash and cash equivalents at end of year	\$ 62,538
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (329,921)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,773
Depreciation	10,910
Decrease in inventories	9,666
Increase in accounts receivables	(2,954)
Decrease in accounts payable	(3,806)
Decrease in salaries and benefits payable	(569)
Decrease in deferred revenue	(646)
Net cash used in operating activities	\$ (290,547)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 62,538

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2004, the District received Federal commodities valued at \$26,773.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
ASSETS		
Cash and pooled investments	\$ 217,094	(3,065)
Due from other governments	0	1,596
Due from other groups	0	1,469
	217,094	0
LIABILITIES		
	0	0
NET ASSETS		
Reserved for scholarships	\$ 217,094	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2004

	<u>Total Private- Purpose Trust</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 2,216
Donations	21,500
TOTAL ADDITIONS	<u>23,716</u>
DEDUCTIONS:	
Support services:	
Scholarship awarded	<u>2,633</u>
Change in net assets	21,083
Net assets beginning of year	<u>196,011</u>
Net assets end of year	<u>\$ 217,094</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The Centerville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Centerville, Iowa, and the predominate agricultural territory in Appanoose 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, Centerville 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 Centerville 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 Appanoose County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 are 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 other nonmajor governmental funds.

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 District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

receivables and other receivables not collected within sixty days after year end.

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2004 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$269,983 pursuant

to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

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

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	PPEL	\$ 80,000

The PPEL Fund is repaying the General Fund for expenditures paid out of the General Fund that should have been paid out of the PPEL Fund. The balance will be repaid by June 30, 2005.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	PPEL	\$ 32,496
Capital Projects	PPEL	464,912
Total		\$ 497,408

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Accrued Interest Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	573,882	3,122	570,000	4,734
2004-05A	6/30/04	6/30/05	1,341,567	0	1,353,000	0
Total			\$ 1,915,449	3,122	1,923,000	4,734

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ 0	1,155,000	1,155,000	0
Total	\$ 0	1,155,000	1,155,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	1.050%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 159,400	0	0	159,400
Total capital assets not being depreciated	159,400	0	0	159,400
Capital assets being depreciated:				
Buildings	8,436,821	0	17,883	8,418,938
Land improvements	398,739	62,000	0	460,739
Machinery and equipment	2,600,589	175,926	104,172	2,672,343
Total capital assets being depreciated	11,436,149	237,926	122,055	11,552,020
Less accumulated depreciation for:				
Buildings	5,028,972	142,875	2,683	5,169,164
Land improvements	110,155	23,037	0	133,192
Machinery and equipment	2,281,677	160,493	85,327	2,356,843
Total accumulated depreciation	7,420,804	326,405	88,010	7,659,199
Total capital assets being depreciated, net	4,015,345	(88,479)	34,045	3,892,821
Governmental activities capital assets, net \$	4,174,745	(88,479)	34,045	4,052,221

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 226,013	5,409	4,136	227,286
Less accumulated depreciation	149,542	10,910	6,490	153,962
Business-type activities capital assets, net	\$ 76,471	(5,501)	(2,354)	73,324

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 51,960
Special		4,312
Other		27,636
Support services:		
Student support services		3,061
Instructional staff services		14,299
Administration services		11,621
Operation and maintenance of plant services		6,027
Transportation		41,577
		160,493
Unallocated depreciation		165,912
		\$ 326,405
Business-type activities:		
Food services		\$ 10,910

#### (7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,915,000	0	160,000	2,755,000	165,000
Capital Loan Notes	86,000	0	29,000	57,000	57,000
Early Retirement	447,728	139,719	105,608	481,839	133,761
Compensated Absences	58,886	72,339	58,886	72,339	72,339
Total	\$ 3,507,614	212,058	353,494	3,366,178	428,100

#### General Obligation Bonds Payable

Details of the District's June 30, 2004 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1992		
		Principal	Interest	Total
2005	7.00 %	\$ 165,000	150,688	315,688
2006	7.00	175,000	139,138	314,138
2007	7.00	185,000	126,888	311,888
2008	6.25	195,000	113,938	308,938
2009	5.00	210,000	101,750	311,750
2010	5.00	220,000	91,250	311,250
2011	5.00	230,000	80,250	310,250
2012	5.00	245,000	68,750	313,750
2013	5.00	260,000	56,500	316,500
2014	5.00	275,000	43,500	318,500
2015	5.00	290,000	29,750	319,750
2016	5.00	305,000	15,250	320,250
Subtotal		\$ 2,755,000	1,017,652	3,772,652

#### Capital Loan Notes

Details of the District's June 30, 2004 Capital Loan indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1992		
		Principal	Interest	Total
2005	4.06 %	\$ 57,000	1,320	58,320
Total		\$ 57,000	1,320	58,320

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to the full monthly cost of single medical insurance for the district's plan until the month of retiree attains the age of 65. Early retirement benefits paid for the year ended June 30, 2004 totaled \$105,608. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual

payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$506,581, \$493,634, and \$498,830, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Centerville Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$1,522,885.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Centerville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$472,458 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, disbursements in the other expenditures functional program area exceeded the amount budgeted.

**(12) Deficit Fund Balance**

At June 30, 2004, there was a deficit fund balance in the Management Fund of \$45,395, and the Physical Plant and Equipment Levy Fund of \$168,120.

REQUIRED SUPPLEMENTAL INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 4,697,868	236,627
State sources	7,740,718	8,195
Federal sources	698,276	334,597
Total receipts	<u>13,136,862</u>	<u>579,419</u>
Disbursements:		
Instruction	9,017,975	0
Support services	3,529,862	0
Non-instructional programs	44,316	559,118
Other expenditures	1,379,639	0
Total disbursements	<u>13,971,792</u>	<u>559,118</u>
Excess(deficiency) of receipts over(under) disbursements	(834,930)	20,301
Other financing sources, net	<u>0</u>	<u>0</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	(834,930)	20,301
Balance beginning of year	<u>1,286,706</u>	<u>42,237</u>
Balance end of year	<u>\$ 451,776</u>	<u>62,538</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
4,934,495	4,936,480	4,936,480	(1,985)
7,748,913	8,291,144	8,291,144	(542,231)
1,032,873	930,000	930,000	102,873
<u>13,716,281</u>	<u>14,157,624</u>	<u>14,157,624</u>	<u>(441,343)</u>
9,017,975	9,088,538	9,088,538	70,563
3,529,862	3,578,277	4,500,000	970,138
603,434	591,127	650,000	46,566
1,379,639	1,327,298	1,327,298	(52,341)
<u>14,530,910</u>	<u>14,585,240</u>	<u>15,565,836</u>	<u>1,034,926</u>
(814,629)	(427,616)	(1,408,212)	593,583
0	46,301	46,301	92,602
(814,629)	(381,315)	(1,361,911)	686,185
1,328,943	828,806	828,806	500,137
514,314	447,491	(533,105)	1,186,322

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE-  
 BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 13,136,862	201,355	13,338,217
Expenses	13,971,792	114,577	14,086,369
Net	(834,930)	86,778	(748,152)
Beginning fund balances	1,286,706	(158,564)	1,128,142
Ending fund balances	\$ 451,776	(71,786)	379,990

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 579,419	5,954	585,373
Expenses	559,118	10,792	569,910
Net	20,301	(4,838)	15,463
Beginning retained earnings	42,237	79,911	122,148
Ending retained earnings	\$ 62,538	75,073	137,611

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2004

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendment increasing budgeted disbursements by \$980,596.

During the year ended June 30, 2004, disbursements in the other expenditure functional program area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004

		Physical Plant & Manage- ment	Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and pooled investments	\$	(47,849)	(34,017)	170,341	163,391	251,866	91,948	343,814
Receivables:								
Property tax:								
Current year delinquent		2,454	3,484	0	0	5,938	5,282	11,220
Succeeding year		0	76,061	0	0	76,061	315,688	391,749
Income surtax		0	72,332	0	0		0	72,332
Accounts		0	0	4,670	0	4,670	0	4,670
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>(45,395)</b>	<b>117,860</b>	<b>175,011</b>	<b>163,391</b>	<b>410,867</b>	<b>412,918</b>	<b>823,785</b>
<b>LIABILITIES AND FUND EQUITY</b>								
Liabilities:								
Interfund payable	\$	0	80,000	0	0	80,000	0	80,000
Accounts payable		0	57,587	8,902	0	66,489	0	66,489
Deferred revenue:								
Succeeding year property tax		0	76,061	0	0	76,061	315,688	391,749
Income surtax		0	72,332	0	0		0	72,332
		0	285,980	8,902	0	294,882	315,688	610,570
Fund equity:								
Fund balances:								
Unreserved:								
Undesignated		(45,395)	(168,120)	166,109	163,391	115,985	97,230	213,215
Total fund balances		(45,395)	(168,120)	166,109	163,391	115,985	97,230	213,215
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$</b>	<b>(45,395)</b>	<b>117,860</b>	<b>175,011</b>	<b>163,391</b>	<b>410,867</b>	<b>412,918</b>	<b>823,785</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Special Revenue
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 145,455	280,875	0	0	426,330
Other	716	1,143	309,575	12,660	324,094
State sources	3,179	4,340	0	0	7,519
Federal sources	0	143,498	0	0	143,498
<b>TOTAL REVENUES</b>	<b>149,350</b>	<b>429,856</b>	<b>309,575</b>	<b>12,660</b>	<b>901,441</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	63,846	0	0	0	63,846
Other instruction	0	0	303,730	0	303,730
	63,846	0	303,730	0	367,576
Support services:					
Student support services	9,313	0	0	0	9,313
Administration services	67,906	0	0	0	67,906
Operation and maintenance of plant services	35,785	198,805	0	0	234,590
Transportation services	29,816	0	0	0	29,816
	142,820	198,805	0	0	341,625
Non-instructional:					
Food service	26,673	0	0	7,740	34,413
Other expenditures:					
Facility acquisition	0	97,177	0	0	97,177
Long-term debt:					
Principle	0	0	0	0	0
Interest and fiscal charges	0	0	0	0	0
	0	97,177	0	0	97,177
<b>TOTAL EXPENDITURES</b>	<b>233,339</b>	<b>295,982</b>	<b>303,730</b>	<b>7,740</b>	<b>840,791</b>
Excess (deficiency) of revenues over (under) expenditures	(83,989)	133,874	5,845	4,920	60,650
Other financing sources:					
Transfers in	0	0	0	0	0
Transfers out	0	(497,408)	0	0	(497,408)
<b>Total other financing sources</b>	<b>0</b>	<b>(497,408)</b>	<b>0</b>	<b>0</b>	<b>(497,408)</b>
Excess (deficiency) of revenues over (under) and other financing sources over (under) expenditures and other financing uses	(83,989)	(363,534)	5,845	4,920	(436,758)
Fund balance beginning of year	38,594	195,414	160,264	158,471	552,743
Fund balance end of year	\$ (45,395)	(168,120)	166,109	163,391	115,985

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Capital Projects	Debt Service	Total Nonmajor Governmental Funds
0	312,182	738,512
22,434	155	346,683
0	6,581	14,100
0	0	143,498
22,434	318,918	1,242,793
0	0	63,846
0	0	303,730
0	0	367,576
0	0	9,313
0	0	67,906
0	0	234,590
0	0	29,816
0	0	341,625
0	0	34,413
487,346	0	584,523
0	189,000	189,000
0	165,683	165,683
487,346	354,683	939,206
487,346	354,683	1,682,820
(464,912)	(35,765)	(440,027)
464,912	32,496	497,408
0	0	(497,408)
464,912	32,496	0
0	(3,269)	(440,027)
0	100,499	653,242
0	97,230	213,215

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Rubbermaid Scholarship	4,637	520	250	4,907
Orville Butler Scholarship	804	304	300	808
Class of 1949	13,882	1,563	500	14,945
Brad Humphrey Scholarship	1,723	5	1,000	728
John Sacco Memorial	1,088	6	0	1,094
Don Whisler Memorial	8,331	102	1,000	7,433
Bessie Adams Memorial	476	3	0	479
Friends of Centerville Schools	500	500	1,000	0
Mark Traxler Memorial	1,010	357	0	1,367
Swab Scholarship	92	0	0	92
Elgin Scholarship	125,928	1,491	1,000	126,419
Colleen Cook Scholarship	0	1,200	1,200	0
Foster Memorial	0	833	833	0
Kirkpatrick Memorial	0	1091	0	1,091
Leffert Scholarship	0	600	600	0
Mary Powers-Tichle Memorial	0	57	57	0
Stout Scholarship	0	4028	0	4,028
	\$ 158,471	12,660	7,740	163,391

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Gower-Voxman Scholarship	2,095	26	0	2,121
Leffert Scholarship	27,237	331	600	26,968
Vidas Scholarship	1,305	15	0	1,320
Colleen Cook Scholarship	70,615	427	1,200	69,842
Gerald Foster Memorial	20,009	746	833	19,922
Ruggles Math and Science	64,134	21,032	0	85,166
Moritz Scholarship	10,616	1,139	0	11,755
	\$ 196,011	23,716	2,633	217,094

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
K-3 general account	\$ 182	115	9	288
Central elementary activity	4,234	10,694	11,081	3,847
Central pop	703	458	475	686
Cincinnati activity	1,158	1,709	1,632	1,235
Cincinnati pop	253	402	430	225
Garfield activity	952	185	162	975
Garfield pop	496	669	636	529
Lincoln activity	889	227	189	927
Lincoln pop	150	0	0	150
Mystic activity	1,591	180	174	1,597
Lakeview activity	8,518	10,562	15,730	3,350
Lakeview pop	1,020	723	251	1,492
J.H. activity	16,755	29,752	28,638	17,869
J.H. athletics	12,406	19,963	18,291	14,078
Ameri-Corps	661	1,139	1,055	745
HS instrumental music resale	(380)	718	1,416	(1,078)
Vocal music	1,767	108	695	1,180
HS instrumental music	72	708	708	72
J.H. instrumental music	87	1,757	2,077	(233)
Lakeview instrumental music	(439)	2,372	2,848	(915)
HS jazz band	(995)	700	(295)	0
K-3 Vocal music	140	0	0	140
HS big red dinner	235	1,032	1,167	100
HS yearbook	11,753	18,248	22,905	7,096
HS graduation	1,346	1,515	1,575	1,286
App Co alternative high school	77	327	382	22
Class of 1998	215	0	0	215
Class of 1999	402	0	0	402
Class of 2000	127	0	0	127
Class of 2001	900	0	0	900
Class of 2002	584	0	0	584
Class of 2003	141	0	13	128
Class of 2004	1,223	364	1,587	0
Class of 2005	95	2,625	1,632	1,088
Class of 2006	183	46	106	123
Class of 2007	0	25	0	25
HS science club	28	0	0	28
FCCLA	39	6,544	6,430	153
FFA	278	27,719	27,272	725
National honor society	551	1,083	1,111	523
Wrestling cheerleaders	22	0	0	22
Student council	5,811	35,358	33,734	7,435
Thespian	9,333	1,949	1,589	9,693
Social science	2	640	363	279

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
"C" club	548	19	0	567
Art society	21	0	0	21
French club	240	(240)	0	0
Football cheerleaders	3,343	2,849	5,223	969
Basketball cheerleaders	76	528	354	250
Office education	130	0	0	130
Student iowegian	97	0	0	97
Spanish club	2,364	5	291	2,078
Speech	914	0	742	172
Weight room	1,172	0	0	1,172
Football	11,555	17,055	16,266	12,344
Boys basketball	8,107	8,410	7,068	9,449
Boys track	604	2,523	2,852	275
Boys golf	197	768	715	250
Girls golf	76	904	730	250
Baseball	2,854	9,694	9,583	2,965
Wrestling	2,820	10,265	11,346	1,739
Girls basketball	2,398	8,026	6,094	4,330
Girls track	1,348	1,622	2,002	968
Softball	404	11,897	9,565	2,736
Girls volleyball fundraisers	596	0	0	596
Volleyball	2,220	7,522	4,557	5,185
Boys cross country	202	681	800	83
Girls cross country	64	605	669	0
Boys tennis	105	371	226	250
Girls tennis	332	252	425	159
Football angels	50	0	0	50
Boys soccer	1,130	1,035	1,236	929
Girls soccer	646	3,623	4,065	204
Activity ticket	11,269	18,589	16,071	13,787
Athletics booster club	3,965	16,998	12,700	8,263
HS general account	2,450	3,100	3,451	2,099
Licenses and permit	(20)	568	548	0
School promotions	400	0	0	400
Interest	85	(5)	80	0
Vocal music concert admissions	2,920	1,431	3	4,348
Instrumental music concert admiss	183	(183)	0	0
General athletics	10,834	47	0	10,881
<b>Total</b>	<b>\$ 160,264</b>	<b>309,575</b>	<b>303,730</b>	<b>166,109</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ (844)	25,100	27,321	(3,065)
Due from other governments	898	1,596	898	1,596
Due from other groups	844	1,469	844	1,469
	\$ 898	28,165	29,063	0
<b>LIABILITIES</b>				
Due to other governments	\$ 898	0	898	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,548,519	3,595,752	3,363,475	3,171,179
Tuition	318,551	226,866	276,429	317,633
Other	797,036	773,121	766,670	735,649
State sources	7,731,425	7,740,582	8,783,285	7,672,577
Federal sources	942,686	688,282	598,159	707,561
Total	\$ 13,338,217	13,024,603	13,788,018	12,604,599
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,569,309	5,665,289	5,255,466	4,988,026
Special instruction	2,585,388	2,802,256	2,528,203	2,446,800
Other instruction	923,240	226,352	938,309	946,900
Support services:				
Student services	455,113	364,208	379,837	356,230
Instructional staff services	258,357	287,205	289,498	324,281
Administration services	1,052,848	925,776	844,327	725,310
Operation and maintenance of plant services	1,235,016	1,211,234	1,156,362	1,648,543
Transportation services	561,021	608,447	499,231	533,038
Non-instructional	34,413	42,385	21,341	11,933
Other expenditures:				
Facilities acquisitions	584,523	931,992	63,087	100,885
Long Term Debt:				
Principal	189,000	191,000	333,000	180,811
Interest	165,683	177,989	192,827	198,282
AEA flow-through	472,458	491,993	494,990	497,175
Total	\$ 14,086,369	13,926,126	12,996,478	12,958,214

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ 26,773
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	73,139
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	234,685
			<u>307,824</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	1071-G	362,449
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	1071-GC	16,389
			<u>378,838</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 03	9,861
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)			
	84.298	FY 04	6,139
			<u>16,000</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 04	12,647
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM			
	84.367	FY 04	112,767
RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP)			
	84.358	FY 04	29,458
SCHOOL RENOVATION, IDEA, AND TECHNOLOGY GRANTS PROGRAM			
	84.352	FY 03	47,287
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 03	85,038

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	30,758
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 04	5,500
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	68,836
CORPORATION OF NATIONAL AND COMMUNITY SERVICE:			
LEARN AND SERVE AMERICA- (COMSERV)	94.004	FY 04	4,020
TOTAL			\$ 1,125,746

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the  
Centerville Community School District:

We have audited the financial statements of Centerville Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 13, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Centerville 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 grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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, 2004 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Centerville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Centerville Community School District and other parties to whom Centerville Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Centerville 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.

September 13, 2004

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of  
Centerville Community School District

#### Compliance

We have audited the compliance of Centerville Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Centerville Community School District's management. Our responsibility is to express an opinion on Centerville Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Centerville Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Centerville Community School District's compliance with those requirements.

In our opinion, Centerville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control Over Compliance

The management of Centerville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Centerville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations,

Members American Institute & Iowa Society of Certified Public Accountants

contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Centerville Community School District and other parties to whom Centerville Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

September 13, 2004

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
  - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Centerville Community School District qualified as a low-risk auditee.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Student Activity Fund - We noted during our audit that the Student Activity fund included old class accounts.

Recommendation - Class accounts should be closed out upon graduation, and funds transferred to other appropriate Activity Fund accounts.

Response - We will comply.

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2004.

Recommendation - The district should increase their depository limits.

Response - The official depository amount was over the maximum due to rust fund investments in certificate of deposits. At the September 28, 2004 school board meeting the board increases the maximum depository amount at Iowa Trust and Savings Bank.

Conclusion - Response accepted.

IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the other expenditures program area.

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

Response - The total district disbursements exceeded the official budget in other program areas due to the function being corrected from #2600 to #4000 for the Capital Projects Fund. The school district will review periodically and amend the official budget accordingly during the fiscal year.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Cochran, Wrestling coach Salesman at The Document Source	Copies and supplies	\$2,251
Willard Armstrong, Bus Driver Owner of own mowing service	Mowing	\$1,710
Kris Hoffman, Board Member Salesman on Dubois Chemicals	Chemicals	\$1,244
Walter Miller, Principal Spouse is owner of The Attic	Office Supplies	\$104

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the bus driver do not appear to represent a conflict of interest.

In accordance with Attorney General's Opinion dated November 9, 1976, the above transactions with the board member, wrestling coach and spouse of the principal do not appear to be a conflict of interest.

IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-04 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-04 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-04 Financial Condition - The District had a deficit unreserved retained earnings of \$45,395 in the Special Revenue- Management Levy fund, and \$168,120 in the Special Revenue- Physical Plant and Equipment Levy. We also noted during our audit that the Activity fund had accounts with negative balances at year end.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will continue to monitor and eliminate the deficit in the Special Revenue - Physical Plant and Equipment Levy Fund and the Special Revenue - Management Fund. We will continue to monitor surplus inventory in the individual instrumental resale accounts in the Student Activity Fund.

Conclusion - Response accepted.