

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

JUNE 30, 2005

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 Election)</b>		
Kris Hoffman	President	2006
Richard Roos	Vice President	2005
Deborah Egeland	Board Member	2004
Debbie Eurom	Board Member (Resigned)	2004
Steve Hoch	Board Member	2006
Brian Kauzlarich	Board Member (Deceased)	2005
Shawna Stickler	Board Member (Appointed)	2004
Bill Matkovich	Board Member	2005
<b>Board of Education (After September 2004 Election)</b>		
Kris Hoffman	President	2006
Richard Roos	Vice President	2005
Bill Matkovich	Board Member	2005
Ray Tresemer	Board Member	2005
Steve Hoch	Board Member	2006
Deborah Egeland	Board Member	2007
Shawna Stickler	Board Member	2007
<b>School Officials</b>		
Richard Turner	Superintendent	2005
Linda Henderson	District Secretary/Treasurer and Business Manager	2005
Rick Engel	Attorney	2005

**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, the business-type activities, each major fund, and the aggregate remaining fund information of the Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Centerville Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 July 29, 2005 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 grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting 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. 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, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

July 29, 2005

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

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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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$12,095,424 in fiscal 2004 to \$12,066,330 in fiscal 2005, while General Fund expenditures increased from \$12,403,549 in fiscal 2004 to \$12,529,846 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from of \$166,775 in fiscal 2004 to a deficit balance of \$296,741 in fiscal 2005, a 277.93% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The reason the General Fund balance decreased is because the expenditures were greater than the revenues.
- An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund alone to increase from \$13,195 in fiscal year 2004 to \$55,417 in fiscal year 2005.
- By the end of the fiscal year 2005, the District had spent over \$320,000 for remodeling the high school that will be reimbursed by a State Construction Grant in fiscal year 2006.

### **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.

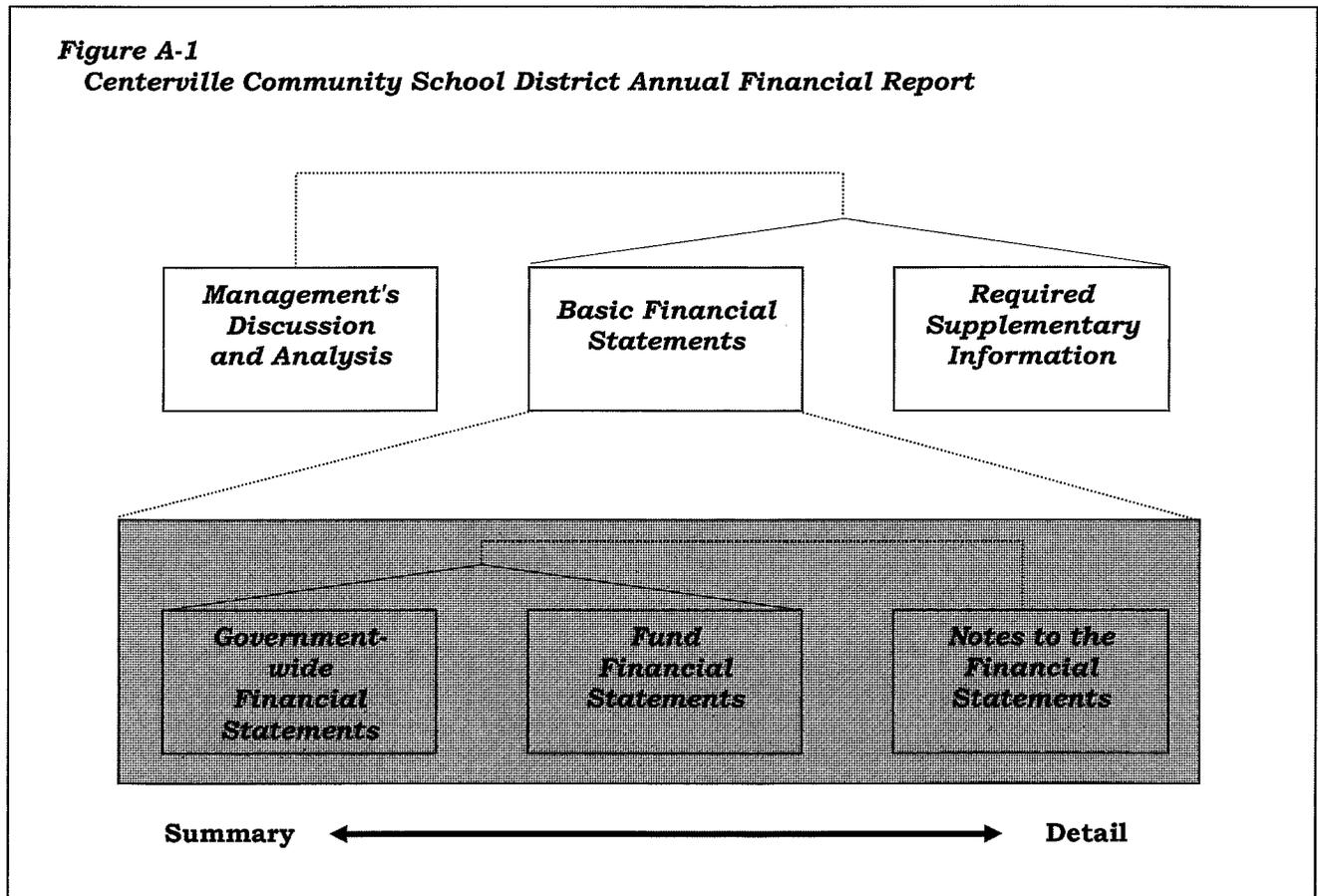


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food 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

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## 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, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,640,425	6,165,173	91,806	75,447	7,732,231	6,240,620	23.90%
Capital assets	5,854,157	4,052,221	62,976	73,324	5,917,133	4,125,545	43.43%
Total assets	13,494,582	10,217,394	154,782	148,771	13,649,364	10,366,165	31.67%
Long-term obligations	5,160,716	3,378,845	0	0	5,160,716	3,378,845	52.74%
Other liabilities	6,744,008	5,712,851	13,691	11,160	6,757,699	5,724,011	18.06%
Total liabilities	11,904,724	9,091,696	13,691	11,160	11,918,415	9,102,856	30.93%
Net assets:							
Invested in capital assets, net of related debt	2,103,418	1,381,784	62,976	73,324	2,166,394	1,455,108	48.88%
Restricted	404,489	388,914	0	0	404,489	388,914	4.00%
Unrestricted	(918,049)	(645,000)	78,115	64,287	(839,934)	(580,713)	44.64%
Total net assets	\$ 1,589,858	1,125,698	141,091	137,611	1,730,949	1,263,309	37.02%

The District's combined net assets increased by 37.02% or \$467,640 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 increased \$15,575 or 4.00% over the prior year. The increase was primarily a result of increased fund balances of restricted 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 \$259,221 or 44.64%. This decrease in unrestricted net assets was a result of the District using the carryover General 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, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 1,112,536	1,101,038	240,809	239,989	1,353,345	1,341,027	0.92%
Operating grants and contributions and restricted interest	1,653,995	1,799,648	351,635	345,146	2,005,630	2,144,794	-6.49%
Capital grants and contributions and restricted interest	299,610	143,498	0	0	299,610	143,498	108.79%
General revenues:							
Property tax	3,448,678	3,471,327	0	0	3,448,678	3,471,327	-0.65%
Income surtax	77,606	75,008	0	0	77,606	75,008	3.46%
Local option sales and services tax	684,075	0	0	0	684,075	0	100.00%
Unrestricted state grants	6,828,654	6,730,965	0	0	6,828,654	6,730,965	1.45%
Other	81,874	14,549	915	238	82,789	14,787	459.88%
Total revenues	14,187,028	13,336,033	593,359	585,373	14,780,387	13,921,406	6.17%
Program expenses:							
Governmental activities:							
Instructional	9,038,795	9,156,634	0	0	9,038,795	9,156,634	-1.29%
Support services	3,847,791	3,523,303	0	0	3,847,791	3,523,303	9.21%
Non-instructional programs	4,222	43,061	589,879	569,910	594,101	612,971	-3.08%
Other expenses	832,060	1,343,303	0	0	832,060	1,343,303	-38.06%
Total expenses	13,722,868	14,066,301	589,879	569,910	14,312,747	14,636,211	-2.21%
Changes in net assets	464,160	(730,268)	3,480	15,463	467,640	(714,805)	-165.42%
Net assets beginning of year	1,125,698	1,855,966	137,611	122,148	1,263,309	1,978,114	-36.14%
Net assets end of year	\$ 1,589,858	1,125,698	141,091	137,611	1,730,949	1,263,309	37.02%

Property tax, income surtax, local option sales and services tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

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### Governmental Activities

Revenues for governmental activities were \$14,187,028 and expenses were \$13,722,868.

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	\$ 9,038,795	6,752,731
Support services	3,847,791	3,835,814
Non- instructional	4,222	188
Other expenses	832,060	67,994
Totals	<u>\$ 13,722,868</u>	<u>10,656,727</u>

- The cost financed by users of the District's programs was \$1,112,536.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,953,605.
- The net cost of governmental activities was financed with \$3,448,678 in property tax, \$77,606 in income surtax, \$684,075 in local option sales and services tax, \$6,828,654 in unrestricted state grants and \$81,874 in interest income.

### Business-Type Activities

Revenues of the District's business-type activities were \$593,359 and expenses were \$589,879. 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 \$904,006, above last year's ending fund balances of a \$379,990. However, the primary reason for the increase was that this was the first year receiving local option sales and services tax monies.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Decrease in federal grants resulted in a decrease in revenues. The revenues were less than General Fund expenditures ensuring the financial position of the District decrease.
- The Capital Projects Fund increased from \$0 to \$637,309 due to the collection of local option sales and services tax for the first time as well as proceeds from the sale of revenue bonds.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$137,611 at June 30, 2004 to \$141,091 at June 30, 2005, representing an increase of 2.53%.

## 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 \$224,412 less than budgeted revenues, a variance of 1.54%. 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$5.9 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 increase of 43.43% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$333,162.

The original cost of the District's capital assets was \$14.0 million. Governmental funds account for \$13.8 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 construction in progress category. The District's construction in progress totaled \$1,975,031 at June 30, 2005, compared to \$0 reported at June 30, 2004. This increase resulted from the high school construction additions uncompleted and paid for during the current year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 159,400	159,400	0	0	159,400	159,400	0.00%
Construction in progress	1,975,031	0	0	0	1,975,031	0	100.00%
Buildings and improvements	3,106,898	3,249,774	0	0	3,106,898	3,249,774	-4.40%
Land improvements	304,510	327,547	0	0	304,510	327,547	-7.03%
Machinery and equipment	308,318	315,500	62,976	73,324	371,294	388,824	-4.51%
Total	\$ 5,854,157	4,052,221	62,976	73,324	5,917,133	4,125,545	43.43%

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## Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$5,160,716 in general obligation and other long-term debt outstanding. This represents an increase of 53.3% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,590,000 at June 30, 2005.

The District had revenue bonds payable of \$2,000,000, at June 30, 2005.

The District had compensated absences of \$77,630, at June 30, 2005.

The District also had total outstanding early retirement payable from the Special Revenue - Management Fund of \$493,086 at June 30, 2005.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 2,590,000	2,755,000	-6.0%
Capital loan notes	0	57,000	-100.0%
Revenue bonds	2,000,000	0	100.0%
Early retirement	493,086	481,839	2.3%
Compensated absences	77,630	72,339	7.3%
Total	<u>\$ 5,160,716</u>	<u>3,366,178</u>	<u>53.3%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced declining enrollment for a few years, the District expects enrollment to increase 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 2004. 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.

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## **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, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments			
ISCAP (Note 4)	\$ 2,028,915	0	2,028,915
Other	965,074	82,335	1,047,409
Receivables:			
Property tax:			
Delinquent	65,546	0	65,546
Succeeding year	3,819,068	0	3,819,068
Income surtax	72,332	0	72,332
Accounts	24,005	0	24,005
Accrued ISCAP interest (Note 4)	9,158	0	9,158
Due from other governments	656,327	0	656,327
Inventories	0	9,471	9,471
Capital assets, net of accumulated depreciation (Note 5)	5,854,157	62,976	5,917,133
<b>TOTAL ASSETS</b>	<b>13,494,582</b>	<b>154,782</b>	<b>13,649,364</b>
<b>LIABILITIES</b>			
Accounts payable	612,798	1,109	613,907
Interest payable	58,718	0	58,718
ISEBA assessment payable (Note 8)	21,203	0	21,203
Salaries and benefits payable	179,236	6,389	185,625
ISCAP warrants payable (Note 4)	2,021,000	0	2,021,000
ISCAP accrued interest payable (Note 4)	9,888	0	9,888
ISCAP unamortized premiums payable	22,097	0	22,097
Deferred revenue:			
Succeeding year property tax	3,819,068	0	3,819,068
Other	0	6,193	6,193
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	175,000	0	175,000
Revenue bonds payable	211,885	0	211,885
Early retirement	118,447	0	118,447
Compensated absences	77,630	0	77,630
Portion due after one year:			
General obligation bonds payable	2,415,000	0	2,415,000
Revenue bonds payable	1,788,115	0	1,788,115
Early retirement	374,639	0	374,639
<b>TOTAL LIABILITIES</b>	<b>11,904,724</b>	<b>13,691</b>	<b>11,918,415</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,103,418	62,976	2,166,394
Restricted for:			
Phase III	21,160	0	21,160
Salary improvement program	886	0	886
Teacher quality	4,539	0	4,539
Physical plant and equipment levy	39,220	0	39,220
Other special revenue purposes	338,684	0	338,684
Unrestricted	(918,049)	78,115	(839,934)
<b>TOTAL NET ASSETS</b>	<b>\$ 1,589,858</b>	<b>141,091</b>	<b>1,730,949</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 5,521,965	183,596	1,086,731	0
Special instruction	2,576,313	72,379	87,397	0
Other instruction	940,517	855,961	0	0
	<u>9,038,795</u>	<u>1,111,936</u>	<u>1,174,128</u>	<u>0</u>
Support services:				
Student services	460,451	0	0	0
Instructional staff services	395,241	0	0	0
Administration services	1,066,614	0	0	0
Operation and maintenance of plant services	1,289,955	0	0	0
Transportation services	635,530	600	11,377	0
	<u>3,847,791</u>	<u>600</u>	<u>11,377</u>	<u>0</u>
Non-instructional programs	4,222	0	4,034	0
Other expenditures:				
Facilities acquisitions	0	0	0	299,610
Long-term debt interest	201,691	0	0	0
AEA flowthrough	464,456	0	464,456	0
Depreciation(unallocated)*	165,913	0	0	0
	<u>832,060</u>	<u>0</u>	<u>464,456</u>	<u>299,610</u>
Total governmental activities	13,722,868	1,112,536	1,653,995	299,610
<b>Business-type activities:</b>				
Non-instructional programs:				
Nutrition services	589,879	240,809	351,635	0
Total business-type activities	<u>589,879</u>	<u>240,809</u>	<u>351,635</u>	<u>0</u>
Total	<u>\$ 14,312,747</u>	<u>1,353,345</u>	<u>2,005,630</u>	<u>299,610</u>

**General Revenues:**

Property tax levied for:
General purposes
Debt services
Capital outlay
Income surtax
Local option sales and service tax
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 BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,251,638)	0	(4,251,638)
(2,416,537)	0	(2,416,537)
84,556	0	84,556
<u>(6,752,731)</u>	<u>0</u>	<u>(6,752,731)</u>
(460,451)	0	(460,451)
(395,241)	0	(395,241)
(1,066,614)	0	(1,066,614)
(1,289,955)	0	(1,289,955)
623,553	0	623,553
<u>(3,835,814)</u>	<u>0</u>	<u>(3,835,814)</u>
(188)	0	(188)
299,610	0	299,610
(201,691)	0	(201,691)
0	0	0
(165,913)	0	(165,913)
<u>(67,994)</u>	<u>0</u>	<u>(67,994)</u>
(10,656,727)	0	(10,656,727)
0	2,565	2,565
0	2,565	2,565
<u>(10,656,727)</u>	<u>2,565</u>	<u>(10,654,162)</u>
\$ 3,135,955	0	3,135,955
311,544	0	311,544
1,179	0	1,179
77,606	0	77,606
684,075	0	684,075
6,828,654	0	6,828,654
81,874	915	82,789
<u>11,120,887</u>	<u>915</u>	<u>11,121,802</u>
464,160	3,480	467,640
1,125,698	137,611	1,263,309
<u>\$ 1,589,858</u>	<u>141,091</u>	<u>1,730,949</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 2,028,915	0	0	2,028,915
Other	(220,175)	639,699	545,550	965,074
Receivables:				
Property tax				
Delinquent	54,987	0	10,559	65,546
Succeeding year	3,153,726	0	665,342	3,819,068
Income surtax	0	0	72,332	72,332
Accounts	21,096	0	2,909	24,005
Accrued ISCAP interest(Note 4)	9,158	0	0	9,158
Due from other governments	166,346	415,238	74,743	656,327
<b>TOTAL ASSETS</b>	<b>\$ 5,214,053</b>	<b>1,054,937</b>	<b>1,371,435</b>	<b>7,640,425</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 124,847	417,628	70,323	612,798
Salaries and benefits payable	179,236	0	0	179,236
ISCAP warrants payable(Note 4)	2,021,000	0	0	2,021,000
ISCAP accrued interest payable(Note 4)	9,888	0	0	9,888
ISCAP unamortized premiums payable	22,097	0	0	22,097
Deferred revenue:				
Succeeding year property tax	3,153,726	0	665,342	3,819,068
Income surtax	0	0	72,332	72,332
Total liabilities	5,510,794	417,628	807,997	6,736,419
Fund balances:				
Reserved for:				
Debt Service	0	0	260,670	260,670
Phase III	21,160	0	0	21,160
Salary improvement program	886	0	0	886
Talented and gifted	4,539	0	0	4,539
Unreserved:				
Undesignated	(323,326)	637,309	302,768	616,751
Total fund balances	(296,741)	637,309	563,438	904,006
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,214,053</b>	<b>1,054,937</b>	<b>1,371,435</b>	<b>7,640,425</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 17)</b>	\$	904,006
 <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.		5,854,157
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.		(21,203)
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.		(58,718)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		72,332
Long-term liabilities, including bonds payable, revenue 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>(5,160,716)</u>
<b>Net assets of governmental activites (page 14)</b>	<b>\$</b>	<b><u>1,589,858</u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,888,997	684,075	637,287	4,210,359
Tuition	255,975	0	0	255,975
Other	443,441	178,985	320,043	942,469
State sources	7,827,696	0	698	7,828,394
Federal sources	650,221	224,965	74,645	949,831
Total revenues	<u>12,066,330</u>	<u>1,088,025</u>	<u>1,032,673</u>	<u>14,187,028</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	5,404,709	0	82,167	5,486,876
Special instruction	2,578,875	0	0	2,578,875
Other instruction	657,303	0	289,177	946,480
	<u>8,640,887</u>	<u>0</u>	<u>371,344</u>	<u>9,012,231</u>
Support services:				
Student services	463,388	0	10,214	473,602
Instructional staff services	368,937	0	0	368,937
Administration services	934,819	0	100,762	1,035,581
Operation and maintenance of plant services	1,040,967	0	246,001	1,286,968
Transportation services	615,250	0	27,338	642,588
	<u>3,423,361</u>	<u>0</u>	<u>384,315</u>	<u>3,807,676</u>
Non-instructional:				
Food service operations	0	0	14,759	14,759
Operation of non-instructional programs	0	0	10,077	10,077
Community service and education operations	1,142	0	0	1,142
	<u>1,142</u>	<u>0</u>	<u>24,836</u>	<u>25,978</u>
Other expenditures:				
Facilities acquisitions	0	1,975,031	0	1,975,031
Long-term debt:				
Principal	0	0	222,000	222,000
Interest and fiscal charges	0	0	155,640	155,640
AEA flowthrough	464,456	0	0	464,456
	<u>464,456</u>	<u>1,975,031</u>	<u>377,640</u>	<u>2,817,127</u>
Total expenditures	<u>12,529,846</u>	<u>1,975,031</u>	<u>1,158,135</u>	<u>15,663,012</u>
Deficiency of revenues under expenditures	(463,516)	(887,006)	(125,462)	(1,475,984)
Other financing sources(uses):				
Transfers in	0	0	537,238	537,238
Transfers out	0	(475,685)	(61,553)	(537,238)
Proceeds from sale of revenue bonds	0	2,000,000	0	2,000,000
Total other financing sources(uses)	<u>0</u>	<u>1,524,315</u>	<u>475,685</u>	<u>2,000,000</u>
Net change in fund balances	(463,516)	637,309	350,223	524,016
Fund balance beginning of year	166,775	0	213,215	379,990
Fund balance end of year	<u>\$ (296,741)</u>	<u>637,309</u>	<u>563,438</u>	<u>904,006</u>

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 19) \$ 524,016

*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	\$ 2,073,387	
Depreciation expense	(322,814)	
Loss on disposal of capital assets	(195)	
Capital assets adjustments due to conversion	51,558	1,801,936

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

Issued	\$ (2,000,000)	
Repaid	222,000	(1,778,000)

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.

(46,051)

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	\$ (11,247)	
Compensated absences	(5,291)	
ISEBA assessment	(21,203)	(37,741)

Changes in net assets of governmental activities (page 16) \$ 464,160

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 82,335
Inventories	9,471
Capital assets, net of accumulated depreciation	62,976
TOTAL ASSETS	<u>154,782</u>
LIABILITIES	
Accounts payable	1,109
Salaries and benefits payable	6,389
Deferred revenues	6,193
TOTAL LIABILITES	<u>13,691</u>
NET ASSETS	
Investment in capital assets	62,976
Unrestricted	78,115
TOTAL NET ASSETS	<u>\$ 141,091</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 240,809
TOTAL OPERATING REVENUES	240,809
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	215,568
Benefits	68,121
Services	7,724
Supplies	287,998
Depreciation	10,348
Other	120
TOTAL OPERATING EXPENSES	589,879
OPERATING LOSS	(349,070)
NON-OPERATING REVENUES:	
State sources	7,838
Federal sources	343,797
Interest income	915
TOTAL NON-OPERATING REVENUES	352,550
Change in net assets	3,480
Net assets beginning of year	137,611
Net assets end of year	\$ 141,091

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 242,024
Cash received from miscellaneous operating activities	2,140
Cash payments to employees for services	(281,867)
Cash payments to suppliers for goods or services	(266,188)
Net cash used in operating activities	(303,891)
Cash flows from non-capital financing activities:	
State grants received	7,838
Federal grants received	314,935
Net cash provided by non-capital financing activities	322,773
Cash flows from investing activities:	
Interest on investments	915
Net cash provided by investing activities	915
Net increase in cash and cash equivalents	19,797
Cash and cash equivalents at beginning of year	62,538
Cash and cash equivalents at end of year	\$ 82,335
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (349,070)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	28,862
Depreciation	10,348
Decrease in inventories	385
Decrease in accounts receivables	3,053
Increase in accounts payable	407
Increase in salaries and benefits payable	1,822
Increase in deferred revenue	302
Net cash used in operating activities	\$ (303,891)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 82,335
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2005, the District received Federal commodities valued at \$28,862.	

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
ASSETS		
Cash and pooled investments	\$ 222,217	0
Due from other groups	0	272
	<u>222,217</u>	<u>272</u>
LIABILITIES		
Accounts payable	0	272
NET ASSETS		
Reserved for scholarships	<u>\$ 222,217</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust</u>
ADDITIONS:	
Local sources:	
Interest income	\$ 5,123
TOTAL ADDITIONS	<u>5,123</u>
Change in net assets	5,123
Net assets beginning of year	<u>217,094</u>
Net assets end of year	<u><u>\$ 222,217</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005

**(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, 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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, proprietary and fiduciary 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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 and improvements	500
Land improvements	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 Lives (In Years)
Buildings and improvements	50 years
Land improvements	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, 2005. 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances;

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,536,630</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 61,553
Special Revenue, Physical Plant and Equipment Levy	Capital Projects	310,039
Debt Service	Capital Projects	<u>165,646</u>
Total		<u>\$ 537,238</u>

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

**(4) 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, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/05	1/27/06	\$ 675,948	9,158	674,000	9,888
2005-06A	6/28/05	6/28/06	1,352,967	0	1,347,000	0
Total			<u>\$ 2,028,915</u>	<u>9,158</u>	<u>2,021,000</u>	<u>9,888</u>

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, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	1,353,000	1,353,000	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
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 227,286	0	0	227,286
Less accumulated depreciation	153,962	10,348	0	164,310
Business-type activities capital assets, net	<u>\$ 73,324</u>	<u>(10,348)</u>	<u>0</u>	<u>62,976</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 159,400	0	0	159,400
Construction in progress	0	1,975,031	0	1,975,031
Total capital assets not being depreciated	<u>159,400</u>	<u>1,975,031</u>	<u>0</u>	<u>2,134,431</u>
Capital assets being depreciated:				
Buildings and improvements	8,418,938	0	0	8,418,938
Land improvements	460,739	0	0	460,739
Machinery and equipment	2,672,343	165,965	39,810	2,798,498
Total capital assets being depreciated	<u>11,552,020</u>	<u>165,965</u>	<u>39,810</u>	<u>11,678,175</u>
Less accumulated depreciation for:				
Buildings and improvements	5,169,164	142,876	0	5,312,040
Land improvements	133,192	23,037	0	156,229
Machinery and equipment	2,356,843	156,901	23,564	2,490,180
Total accumulated depreciation	<u>7,659,199</u>	<u>322,814</u>	<u>23,564</u>	<u>7,958,449</u>
Total capital assets being depreciated, net	<u>3,892,821</u>	<u>(156,849)</u>	<u>16,246</u>	<u>3,719,726</u>
Governmental activities capital assets, net	<u>\$ 4,052,221</u>	<u>1,818,182</u>	<u>16,246</u>	<u>5,854,157</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 69,486
Special	22,983
Other	36,274
Support services:	
Student support services	4,215
Instructional staff services	13,346
Administration services	5,914
Operation and maintenance of plant services	2,893
Transportation	1,790
	<u>156,901</u>
Unallocated depreciation	<u>165,913</u>
Total governmental activities depreciation expense	<u>\$ 322,814</u>
Business-type activities:	
Food services	<u>\$ 10,348</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 2,755,000	0	165,000	2,590,000	175,000
Capital Loan Notes	57,000	0	57,000	0	0
Revenue Bonds	0	2,000,000	0	2,000,000	211,885
Early Retirement	481,839	167,874	156,627	493,086	118,447
Compensated Absences	72,339	77,630	72,339	77,630	77,630
<b>Total</b>	<b>\$ 3,366,178</b>	<b>2,245,504</b>	<b>450,966</b>	<b>5,160,716</b>	<b>582,962</b>

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of June 1, 1992		
		Principal	Interest	Total
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
<b>Total</b>		<b>\$ 2,590,000</b>	<b>866,964</b>	<b>3,456,964</b>

Revenue Bonds Payable

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of December 10, 2005		
		Principal	Interest	Total
2006	4.22 %	\$ 211,885	87,149	299,034
2007	4.22	224,581	73,114	297,695
2008	4.22	234,159	63,537	297,696
2009	4.22	244,145	53,551	297,696
2010	4.22	254,556	43,139	297,695
2011	4.22	265,411	32,284	297,695
2012	4.22	276,731	20,965	297,696
2013	4.22	288,532	9,164	297,696
<b>Total</b>		<b>\$ 2,000,000</b>	<b>382,903</b>	<b>2,382,903</b>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District did not comply with all of the provisions during the year ended June 30, 2005. The require Reserve Account was not established by the District and not all of the required transfers were made to the Sinking Account.

#### 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, 2005 totaled \$156,627. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

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

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$517,836, \$506,581, and \$493,634, respectively, equal to the required contributions for each year.

**(8) Risk Management**

The Centerville Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$21,203 which is recorded as a liability as of June 30, 2005.

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.

**(9) 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 \$464,456 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into various contracts totaling \$2,868,987 for the high school science addition and high school addition and gym renovation of the school. As of June 30, 2005, costs of \$1,975,031 had been incurred against the contracts. The balance of \$893,356 remaining at June 30, 2005 will be paid as work on the project progresses.

**(11) Deficit Fund Balances/Unrestricted Net Assets**

At June 30, 2005, there were deficit undesignated fund balances in the General Fund of \$323,326 and the Special Revenue, Management Fund of \$75,136. The unrestricted net assets in the Governmental Activities is a deficit \$919,049.

REQUIRED SUPPLEMENTARY 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 5,176,967	245,079
State sources	7,828,560	7,838
Federal sources	756,319	343,797
Total receipts	<u>13,761,846</u>	<u>596,714</u>
Disbursements:		
Instruction	9,002,566	0
Support services	3,820,533	0
Non-instructional programs	25,950	576,917
Other expenditures	2,399,499	0
Total disbursements	<u>15,248,548</u>	<u>576,917</u>
Excess(deficiency) of receipts over(under) disbursements	(1,486,702)	19,797
Other financing sources, net	<u>2,000,000</u>	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	513,298	19,797
Balance beginning of year	<u>451,776</u>	<u>62,538</u>
Balance end of year	<u>\$ 965,074</u>	<u>82,335</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,422,046	4,962,831	4,962,831	459,215
7,836,398	8,609,141	8,609,141	(772,743)
1,100,116	1,011,000	1,011,000	89,116
<u>14,358,560</u>	<u>14,582,972</u>	<u>14,582,972</u>	<u>(224,412)</u>
9,002,566	9,217,902	9,300,000	297,434
3,820,533	3,743,358	3,900,000	79,467
602,867	666,727	695,000	92,133
2,399,499	1,919,882	2,750,000	350,501
<u>15,825,465</u>	<u>15,547,869</u>	<u>16,645,000</u>	<u>819,535</u>
(1,466,905)	(964,897)	(2,062,028)	595,123
<u>2,000,000</u>	<u>0</u>	<u>0</u>	<u>2,000,000</u>
533,095	(964,897)	(2,062,028)	2,595,123
514,314	1,074,139	1,074,139	(559,825)
<u>1,047,409</u>	<u>109,242</u>	<u>(987,889)</u>	<u>2,035,298</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE-  
 BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2005

Governmental Fund Types			
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 13,761,846	425,182	14,187,028
Expenses	15,248,548	414,464	15,663,012
Net	(1,486,702)	10,718	(1,475,984)
Other financing sources, net	2,000,000	0	2,000,000
Beginning fund balances	451,776	(71,786)	379,990
Ending fund balances	\$ 965,074	(61,068)	904,006

Proprietary Fund Type			
Enterprise			
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 596,714	(3,355)	593,359
Expenses	576,917	12,962	589,879
Net	19,797	(16,317)	3,480
Beginning net assets	62,538	75,073	137,611
Ending net assets	\$ 82,335	58,756	141,091

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 a budget amendment increasing budgeted disbursements by \$1,097,131.

OTHER SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005

	Special Revenue Funds						Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue	Debt Service	
<b>ASSETS</b>							
Cash and pooled investments	\$ (79,837)	181,212	26,955	162,386	290,716	254,834	545,550
Receivables:							
Property tax:							
Current year delinquent	4,701	0	22	0	4,723	5,836	10,559
Succeeding year	350,000	0	1,204	0	351,204	314,138	665,342
Income surtax	0	0	72,332	0	72,332	0	72,332
Accounts	0	2,909	0	0	2,909	0	2,909
Due from other governments	0	120	74,623	0	74,743	0	74,743
<b>TOTAL ASSETS</b>	<b>\$ 274,864</b>	<b>184,241</b>	<b>175,136</b>	<b>162,386</b>	<b>796,627</b>	<b>574,808</b>	<b>1,371,435</b>
<b>LIABILITIES AND FUND EQUITY</b>							
Liabilities:							
Accounts payable	\$ 0	7,943	62,380	0	70,323	0	70,323
Deferred revenue:							
Succeeding year property tax	350,000	0	1,204	0	351,204	314,138	665,342
Income surtax	0	0	72,332	0	72,332	0	72,332
	<u>350,000</u>	<u>7,943</u>	<u>135,916</u>	<u>0</u>	<u>493,859</u>	<u>314,138</u>	<u>807,997</u>
Fund equity:							
Fund balances:							
Reserved for Debt Service	0	0	0	0	0	260,670	260,670
Unreserved:							
Undesignated	(75,136)	176,298	39,220	162,386	302,768	0	302,768
Total fund balances	<u>(75,136)</u>	<u>176,298</u>	<u>39,220</u>	<u>162,386</u>	<u>302,768</u>	<u>260,670</u>	<u>563,438</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 274,864</b>	<b>184,241</b>	<b>175,136</b>	<b>162,386</b>	<b>796,627</b>	<b>574,808</b>	<b>1,371,435</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, 2005

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue		
<b>REVENUES:</b>							
Local sources:							
Local tax	\$ 246,958	0	78,785	0	325,743	311,544	637,287
Other	1,434	299,366	8,220	9,072	318,092	1,951	320,043
State sources	311	0	1	0	312	386	698
Federal sources	0	0	74,645	0	74,645	0	74,645
<b>TOTAL REVENUES</b>	<b>248,703</b>	<b>299,366</b>	<b>161,651</b>	<b>9,072</b>	<b>718,792</b>	<b>313,881</b>	<b>1,032,673</b>
<b>EXPENDITURES:</b>							
<b>Current:</b>							
<b>Instruction:</b>							
Regular instruction	82,167	0	0	0	82,167	0	82,167
Other instruction	0	289,177	0	0	289,177	0	289,177
	<u>82,167</u>	<u>289,177</u>	<u>0</u>	<u>0</u>	<u>371,344</u>	<u>0</u>	<u>371,344</u>
<b>Support services:</b>							
Student support services	10,214	0	0	0	10,214	0	10,214
Administration services	100,762	0	0	0	100,762	0	100,762
Operation and maintenance of plant services	43,204	0	202,797	0	246,001	0	246,001
Transportation services	27,338	0	0	0	27,338	0	27,338
	<u>181,518</u>	<u>0</u>	<u>202,797</u>	<u>0</u>	<u>384,315</u>	<u>0</u>	<u>384,315</u>
<b>Non-instructional:</b>							
Food service operations	14,759	0	0	0	14,759	0	14,759
Operation of non-instructional programs	0	0	0	10,077	10,077	0	10,077
	<u>14,759</u>	<u>0</u>	<u>0</u>	<u>10,077</u>	<u>24,836</u>	<u>0</u>	<u>24,836</u>
<b>Other expenditures:</b>							
<b>Long-term debt:</b>							
Principal	0	0	0	0	0	222,000	222,000
Interest and fiscal charges	0	0	0	0	0	155,640	155,640
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>377,640</u>	<u>377,640</u>
<b>TOTAL EXPENDITURES</b>	<b>278,444</b>	<b>289,177</b>	<b>202,797</b>	<b>10,077</b>	<b>780,495</b>	<b>377,640</b>	<b>1,158,135</b>
Excess(deficiency) of revenues over (under) expenditures	(29,741)	10,189	(41,146)	(1,005)	(61,703)	(63,759)	(125,462)
<b>Other financing sources(uses):</b>							
Transfers in	0	0	310,039	0	310,039	227,199	537,238
Transfers out	0	0	(61,553)	0	(61,553)	0	(61,553)
<b>Total other financing sources</b>	<b>0</b>	<b>0</b>	<b>248,486</b>	<b>0</b>	<b>248,486</b>	<b>227,199</b>	<b>475,685</b>
Excess(deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(29,741)	10,189	207,340	(1,005)	186,783	163,440	350,223
Fund balance beginning of year	(45,395)	166,109	(168,120)	163,391	115,985	97,230	213,215
Fund balance end of year	<u>\$ (75,136)</u>	<u>176,298</u>	<u>39,220</u>	<u>162,386</u>	<u>302,768</u>	<u>260,670</u>	<u>563,438</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE, EXPENDABLE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Rubbermaid Scholarship	4,907	66	1,250	3,723
Orville Butler Scholarship	808	315	0	1,123
Class of 1949	14,945	1,681	1,000	15,626
Brad Humphrey Scholarship	728	1	729	0
John Sacco Memorial	1,094	11	500	605
Bessie Adams Memorial	479	8	0	487
Don Whisler Memorial	7,433	109	1,500	6,042
Mark Traxler Memorial	1,367	24	(1)	1,392
Swab Scholarship	92	2	0	94
Elgin Scholarship	126,419	1,946	2,000	126,365
FCCLA Scholarship	0	746	0	746
Colleen Cook Scholarship	0	1,832	1,332	500
Foster Memorial	0	167	167	0
Kirkpatrick Memorial	1,091	17	0	1,108
Leffert Scholarship	0	600	600	0
Ray Miller Memorial	0	1,500	0	1,500
Stout Scholarship	4,028	47	1,000	3,075
	<u>\$ 163,391</u>	<u>9,072</u>	<u>10,077</u>	<u>162,386</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Gower-Voxman Scholarship	2,121	40	0	2,161
Leffert Scholarship	26,968	(138)	0	26,830
Vidas Scholarship	1,320	23	0	1,343
Colleen Cook Scholarship	69,842	(658)	0	69,184
Gerald Foster Memorial	19,922	163	0	20,085
Ruggles Math and Science	85,166	1,480	0	86,646
Moritz Scholarship	11,755	4,213	0	15,968
	<u>\$ 217,094</u>	<u>5,123</u>	<u>0</u>	<u>222,217</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
General athletics	\$ 10,881	394	0	11,275
HS general account	2,099	4,239	2,214	4,124
App Co alternative high school	22	0	0	22
Thespian	9,693	1,977	1,883	9,787
Speech	172	0	313	(141)
Vocal music concert admissions	4,348	1,461	0	5,809
Vocal music	1,180	94	510	764
K-3 Vocal music	140	0	19	121
Instrumental music concert	0	492	0	492
HS instrumental music resale	(1,078)	3,458	2,380	0
J.H. instrumental music	(233)	1,839	1,498	108
Lakeview instrumental music	(915)	2,338	1,081	342
HS jazz band	0	455	455	0
HS instrumental music	72	811	861	22
J.H. athletics	14,078	15,731	15,442	14,367
Boys cross country	83	867	950	0
Girls cross country	0	885	885	0
Boys basketball	9,449	2,702	8,466	3,685
Football	12,344	13,056	18,031	7,369
Boys soccer	929	1,048	825	1,152
Baseball	2,965	4,706	6,106	1,565
Boys track	275	4,613	4,217	671
Boys tennis	250	0	188	62
Boys golf	250	608	626	232
Wrestling	1,739	15,310	15,168	1,881
Girls basketball	4,330	4,062	4,392	4,000
Volleyball	5,185	967	3,151	3,001
Girls volleyball fundraisers	596	0	0	596
Girls soccer	204	6,110	4,192	2,122
Softball	2,736	8,404	6,669	4,471
Girls track	968	2,379	3,085	262
Girls tennis	159	775	532	402
Girls golf	250	440	594	96
K-3 general account	288	74	0	362
Central elementary activity	3,847	3,886	3,464	4,269
Central pop	686	604	524	766
Cincinnati activity	1,235	202	197	1,240
Cincinnati pop	225	209	122	312
Garfield activity	975	716	219	1,472
Garfield pop	529	223	0	752
Lincoln activity	927	435	385	977
Lincoln pop	150	0	0	150

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Mystic activity	1,597	671	55	2,213
Lakeview activity	3,350	11,597	13,010	1,937
Lakeview pop	1,492	728	488	1,732
J.H. activity	17,869	32,042	25,386	24,525
Ameri-Corps	745	0	20	725
HS big red dinner	100	1,144	1,171	73
HS yearbook	7,096	22,179	21,657	7,618
HS graduation	1,286	1,575	93	2,768
HS science club	28	475	433	70
FCCLA	153	3,929	3,675	407
FFA	725	30,535	29,474	1,786
National honor society	523	1,159	1,162	520
HS cheerleaders	22	1,766	862	926
Student council	7,435	33,685	31,756	9,364
Social science	279	860	487	652
"C" club	567	0	567	0
Art society	21	0	21	0
Football cheerleaders	969	0	969	0
Basketball cheerleaders	250	0	250	0
Office education	130	0	0	130
Student iowegian	97	0	0	97
Spanish club	2,078	0	0	2,078
Big Red Expo	0	550	550	0
Weight room	1,172	2,207	2,168	1,211
Football angels	50	0	50	0
Class of 1998	215	0	215	0
Class of 1999	402	0	402	0
Class of 2000	127	0	127	0
Class of 2001	900	0	900	0
Class of 2002	584	0	584	0
Class of 2003	128	0	128	0
Class of 2005	1,088	1,255	2,343	0
Class of 2006	123	2,661	1,401	1,383
Class of 2007	25	169	194	0
Class of 2008	0	16	0	16
Activity ticket	13,787	38,367	27,844	24,310
Athletics booster club	8,263	4,753	10,618	2,398
Licenses and permit	0	409	409	0
School promotions	400	0	0	400
Interest	0	64	64	0
Total	\$ 166,109	299,366	289,177	176,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ (3,065)	20,521	17,456	0
Due from other governments	1,596	0	1,596	0
Due from other groups	1,469	272	1,469	272
	<u>\$ 0</u>	<u>20,793</u>	<u>20,521</u>	<u>272</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 0	20,793	20,521	272

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,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,210,359	3,548,519	3,595,752	3,363,475
Tuition	255,975	318,551	226,866	276,429
Other	942,469	797,036	773,121	766,670
State sources	7,828,394	7,731,425	7,740,582	8,783,285
Federal sources	949,831	942,686	688,282	598,159
<b>Total</b>	<b>\$ 14,187,028</b>	<b>13,338,217</b>	<b>13,024,603</b>	<b>13,788,018</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,486,876	5,569,309	5,665,289	5,255,466
Special instruction	2,578,875	2,585,388	2,802,256	2,528,203
Other instruction	946,480	923,240	226,352	938,309
Support services:				
Student services	473,602	455,113	364,208	379,837
Instructional staff services	368,937	258,357	287,205	289,498
Administration services	1,035,581	1,052,848	925,776	844,327
Operation and maintenance of plant services	1,286,968	1,235,016	1,211,234	1,156,362
Transportation services	642,588	561,021	608,447	499,231
Non-instructional	25,978	34,413	42,385	21,341
Other expenditures:				
Facilities acquisitions	1,975,031	584,523	931,992	63,087
Long Term Debt:				
Principal	222,000	189,000	191,000	333,000
Interest	155,640	165,683	177,989	192,827
AEA flow-through	464,456	472,458	491,993	494,990
<b>Total</b>	<b>\$ 15,663,012</b>	<b>14,086,369</b>	<b>13,926,126</b>	<b>12,996,478</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 28,862
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	76,511
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	238,424
			<u>314,935</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1071-G	378,574
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1071-GC	18,202
			<u>396,776</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 05	<u>13,242</u>
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 02	11,173
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 03	74,623
FUND FOR THE IMPROVEMENT OF EDUCATION			
	84.215	FY 04	224,965
			<u>310,761</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS			
	84.298	FY 04	6,852
STATE GRANTS FOR INNOVATIVE PROGRAMS			
	84.298	FY 05	9,290
			<u>16,142</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP)			
	84.358	FY 05	<u>4,082</u>
IMPROVING TEACHER QUALITY STATE GRANTS			
	84.367	FY 05	<u>106,926</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES			
	84.369	FY 05	<u>9,552</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DEPARTMENT OF EDUCATION (CONTINUED):			
IOWA PUBLIC TELEVISION:			
STAR SCHOOLS	84.203	FY 05	<u>50,000</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 05	<u>31,192</u>
SPECIAL EDUCATION - GRANTS TO			
STATES (PART B)	84.027	FY 05	<u>87,397</u>
ENHANCING EDUCATION THROUGH			
TECHNOLOGY (E2T2)	84.318	FY 05	<u>13,543</u>
TITLE I ACCOUNTABILITY GRANTS			
	84.348	FY 05	<u>900</u>
CORPORATION OF NATIONAL AND			
COMMUNITY SERVICE:			
LEARN AND SERVE AMERICA - SCHOOL AND			
COMMUNITY BASED PROGRAMS (COMSERV)	94.004	FY 03	<u>380</u>
TOTAL			<u>\$ 1,384,690</u>

**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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# NOLTE, CORNMAN & JOHNSON P.C.

## Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated July 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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 Part II of 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 caused by error or fraud 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.

### Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

July 29, 2005

**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 on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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 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, 2005. 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 agreements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Centerville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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, 2005.

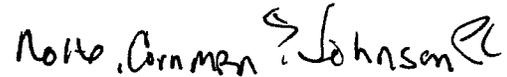
Internal Control Over Compliance

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 grant agreements 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, contracts

and grant agreements caused by error or fraud 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 operations 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

July 29, 2005

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (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, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 School Nutrition Fund Deposits - We noted during our audit that the deposit slips in the Enterprise, School Nutrition Fund did not list in detail the monies taken to the bank.

Recommendation - The deposit slips should list the checks providing detail of what is included in the deposit slip. The District should review procedures in place in regards to making bank deposits.

Response - We will review procedures in place and list checks being deposited on the deposit slips.

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 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-05 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-05 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	Supplies	\$4,176
Tim Kaster, Bus Driver Owner of Tim's Muffler	Purchased Services	\$705
Kris Hoffman, Board Member Salesman on Dubois Chemicals	Supplies	\$2,577
Ray Miller, Principal Spouse is owner of The Attic	Supplies	\$129
Shawna Sticker, Board Member Father owns Mccarthy Tire	Purchased Services	\$19,178

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, father of the board member, wrestling coach and spouse of the principal do not appear to be a conflict of interest.

IV-F-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-I-05 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-05 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-05 Financial Condition - The District had a undesignated deficit fund balances of \$323,326 in the General Fund and \$75,136 in the Special Revenue- Management Fund. The District had deficit unrestricted net assets in the Governmental Activities \$919,049. 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 deficits in the General Fund and Special Revenue - Management Fund. We will continue to monitor the individual accounts in the Student Activity Fund.

Conclusion - Response accepted.