

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

JUNE 30, 2008

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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CENTERVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2008

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Deborah Egeland	Board Member	2007
Brad Appler	Board Member	2007
Jeri Pershy	Board Member	2008
Bill Matkovich	Board Member	2008
Nick Hindley	Board Member	2008
Board of Education (After September 2007 Election)		
Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Brad Appler	Board Member	2010
Debbie Watley	Board Member	2010
Jeri Pershy	Board member	2008
Bill Matkovich	Board Member	2008
Nick Hindley	Board Member	2008
School Officials		
Richard Turner	Superintendent	2010
Linda Henderson	District Secretary/Treasurer	Indefinite
Marvin Judkins	Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
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, Centerville, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements 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 Governmental 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 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 Centerville Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2009 on our consideration of 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 36 through 38 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The financial statements for the year ended June 30, 2005 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,860,309 in fiscal 2007 to \$13,397,435 in fiscal 2008, while General Fund expenditures increased from \$12,869,527 in fiscal 2007 to \$13,340,794 in fiscal 2008. The District's General Fund balance decreased from a \$289,320 deficit in fiscal 2007 to a \$232,679 deficit in fiscal 2008, a 19.6% decrease.

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 the 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 the 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 the Centerville Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

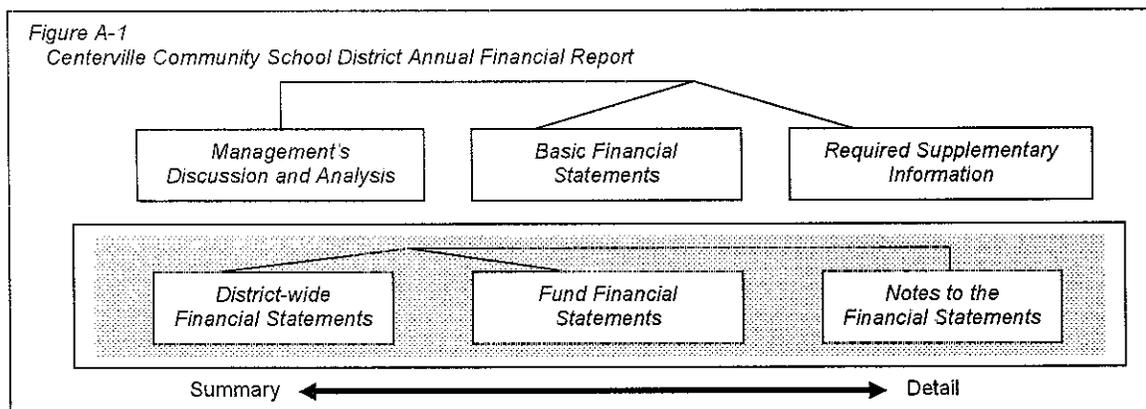


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Reporting the District's Financial Activities

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial 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 or 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 financial 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, Debt Service Fund and Capital Projects Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, the Private Purpose Trust Fund which accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the 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 a 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 at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$ 8,839,125	\$ 9,126,272	\$ 74,709	\$ 80,867	\$ 8,913,834	\$ 9,207,139	(3.2)%
Capital assets	<u>9,298,856</u>	<u>8,597,392</u>	<u>72,180</u>	<u>83,850</u>	<u>9,371,036</u>	<u>8,681,242</u>	7.9%
Total assets	<u>18,137,981</u>	<u>17,723,664</u>	<u>146,889</u>	<u>164,717</u>	<u>18,284,870</u>	<u>17,888,381</u>	2.2%
Long-term liabilities	6,070,770	6,864,919	-	-	6,070,770	6,864,919	(11.6)%
Other liabilities	<u>7,604,199</u>	<u>7,616,790</u>	<u>36,655</u>	<u>41,655</u>	<u>7,640,854</u>	<u>7,658,445</u>	(.2)%
Total liabilities	<u>13,674,969</u>	<u>14,481,709</u>	<u>36,655</u>	<u>41,655</u>	<u>13,711,624</u>	<u>14,523,364</u>	(5.6)%
Net assets							
Invested in capital assets, net of related debt	3,906,623	2,547,405	72,180	83,850	3,978,803	2,631,255	51.2%
Restricted	516,804	531,875	-	-	516,804	531,875	(2.8)%
Unrestricted	<u>39,585</u>	<u>162,675</u>	<u>38,054</u>	<u>39,212</u>	<u>77,639</u>	<u>201,887</u>	(63.0)%
Total net assets	\$ <u>4,463,012</u>	\$ <u>3,241,955</u>	\$ <u>110,234</u>	\$ <u>123,062</u>	\$ <u>4,573,246</u>	\$ <u>3,365,017</u>	35.9%

The District's combined net assets increased by approximately 35.9%, or \$1,208,229, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$15,071, or approximately 2.8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$124,248, or approximately 63.0%. This decrease in unrestricted net assets was a result of increasing costs not offset by an increase in revenue.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		
	2008	2007	2008	2007	2008	2007	
Revenues							
Program revenues:							
Charges for services and sales	\$ 825,770	\$ 845,710	\$ 258,846	\$ 260,762	\$ 1,084,616	\$ 1,106,472	(2.0)%
Operating grants contributions and restricted interest	2,719,291	2,123,891	384,315	355,600	3,103,606	2,479,491	25.2%
Capital grants contributions and restricted interest	88,210	224,044	-	-	88,210	224,044	(60.6)%
General revenues:							
Property tax	3,596,510	3,370,669	-	-	3,596,510	3,370,669	6.7%
Income surtax	196,549	135,643	-	-	196,549	135,643	44.9%
Local option sales and services tax	1,162,639	1,205,136	-	-	1,162,639	1,205,136	(3.5)%
Unrestricted state grants	7,016,010	7,172,829	-	-	7,016,010	7,172,829	(2.2)%
Other	155,453	246,932	1,170	3,520	156,623	250,452	(37.5)%
Total revenues	15,760,432	15,324,854	644,331	619,882	16,404,763	15,944,736	2.9%
Program expenses:							
Instruction	9,551,662	9,498,350	-	-	9,551,662	9,498,350	.6%
Support services	3,960,156	4,286,010	-	-	3,960,156	4,286,010	(7.6)%
Non-instructional programs	-	-	657,159	633,719	657,159	633,719	3.7%
Other expenses	1,027,557	1,002,831	-	-	1,027,557	1,002,831	2.5%
Total expenses	14,539,375	14,787,191	657,159	633,719	15,196,534	15,420,910	(1.5)%
Change in net assets	\$ 1,221,057	\$ 537,663	\$ (12,828)	\$ (13,837)	\$ 1,208,229	\$ 523,826	130.7%

Property tax and unrestricted state grants account for 64.7% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.9% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,760,432 and expenses were \$14,539,375. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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		
	June 30,		Change 2007-2008	June 30,		Change 2007-2008
	2008	2007		2008	2007	
Instruction	\$ 9,551,662	\$ 9,498,350	.6%	\$ 6,521,618	\$ 7,032,316	(7.3)%
Support services	3,960,156	4,286,010	(7.6)%	3,952,752	4,275,385	(7.5)%
Other expenses	1,027,557	1,002,831	2.5%	431,734	285,845	51.0%
Total expenses	\$ 14,539,375	\$ 14,787,191	(1.7)%	\$ 10,906,104	\$ 11,593,546	(5.9)%

- The cost financed by users of the District's programs was \$825,770.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,807,501.
- The net cost of governmental activities was financed with \$3,596,510 in property tax, \$196,549 in income surtax, \$1,162,639 in local option sales and services tax, \$7,016,010 in unrestricted state grants, \$143,732 in interest income and \$11,721 in other revenues.

Business Type Activities

Revenues for business type activities were \$644,331 representing a 3.9% increase over the prior year while expenses totaled \$657,159, a 3.7% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements 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 \$1,140,582, 20.9% below last year's ending fund balances of \$1,441,980.

Governmental Fund Highlights

- Revenue from School Infrastructure Local Option Tax (SILO) decreased 2.8% from \$854,847 in fiscal year 2007 to \$831,250 in fiscal year 2008.
- Facilities acquisitions expenditures decreased 63.2% from \$2,336,795 in fiscal year 2007 to \$858,845 in fiscal year 2008. This decrease is due to significant capital projects in progress during fiscal year 2007 that were completed in fiscal year 2008.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$123,062 at June 30, 2007 to \$110,234 at June 30, 2008, representing a decrease of approximately 10.4%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Centerville Community School District amended its annual budget one time to reflect additional expenditures associated with other expenditures.

The District's receipts were \$143,719 greater than budgeted receipts, a variance of .9%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$472,646 less than budgeted, due 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, 2008, the District had invested approximately \$9.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-6) This represents a net increase of approximately 7.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$495,777.

The original cost of the District's capital assets was \$18,089,687. Governmental funds account for \$17,839,313, with the remainder of \$250,374 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$0 at June 30, 2008, compared to \$2,314,213 reported at June 30, 2007. This change resulted from significant construction during the prior year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		2007-2008
	2008	2007	2008	2007	2008	2007	
Land	\$ 204,400	\$ 204,400	\$ -	\$ -	\$ 204,400	\$ 204,400	0.0%
Construction in progress	-	2,314,213	-	-	-	2,314,213	(100.0)%
Buildings and improvements	8,604,712	5,457,567	-	-	8,604,712	5,457,567	57.7%
Land improvements	231,952	254,653	-	-	231,952	254,653	(8.9)%
Machinery and equipment	<u>257,792</u>	<u>366,559</u>	<u>72,180</u>	<u>83,850</u>	<u>329,972</u>	<u>450,409</u>	(26.7)%
Totals	\$ <u>9,298,856</u>	\$ <u>8,597,392</u>	\$ <u>72,180</u>	\$ <u>83,850</u>	\$ <u>9,371,036</u>	\$ <u>8,681,242</u>	7.9%

Long-Term Debt

At June 30, 2008, the District had \$6,070,770, in general obligation, revenue and long-term debt outstanding. This represents a decrease of approximately 11.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	June 30,		2007-2008
	2008	2007	
Contract payable	\$ 20,000	\$ 30,000	(33.3)%
Capital lease payable	48,452	60,462	(19.9)%
General obligation bonds	2,035,000	2,230,000	(8.7)%
Revenue bonds	3,288,781	3,729,525	(11.8)%
Early retirement	564,338	728,706	(22.6)%
Compensated absences	<u>114,199</u>	<u>86,226</u>	32.4%
Total	\$ <u>6,070,770</u>	\$ <u>6,864,919</u>	(11.6)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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:

- The District has experienced declining enrollment in the recent past, and District expects the decline to accelerate due to recent plant closings in the community.
- 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 the fiscal year 2004. The budget guarantee is a relatively minor part of the District's budget and is expected to have little effect in fiscal year 2009.
- Low allowable growth over the past several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Henderson, District Secretary/Treasurer, Centerville Community School District, PO Box 370, Centerville, Iowa 52544

BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2008

<u>ASSETS</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Cash and pooled investments:			
ISCAP	\$ 2,058,022	\$ -	\$ 2,058,022
Other	2,276,783	64,629	2,341,412
Receivables:			
Property tax:			
Delinquent	85,235	-	85,235
Succeeding year	3,806,033	-	3,806,033
Income surtax	174,500	-	174,500
Accounts	48,124	93	48,217
Accrued ISCAP interest	14,630	-	14,630
Due from other governments	375,798	-	375,798
Inventories	-	9,987	9,987
Capital assets, net of accumulated depreciation	9,298,856	72,180	9,371,036
TOTAL ASSETS	<u>18,137,981</u>	<u>146,889</u>	<u>18,284,870</u>
<u>LIABILITIES</u>			
Accounts payable	1,293,262	26,941	1,320,203
Interest payable	80,156	-	80,156
Salaries and benefits payable	340,953	9,714	350,667
ISCAP warrants payable	2,046,000	-	2,046,000
ISCAP accrued interest payable	15,811	-	15,811
ISCAP unamortized premiums payable	21,984	-	21,984
Deferred revenue:			
Succeeding year property tax	3,806,033	-	3,806,033
Long-term liabilities:			
Portion due within one year:			
Contract payable	10,000	-	10,000
Capital lease payable	12,782	-	12,782
General obligation bonds payable	210,000	-	210,000
Revenue bonds payable	464,145	-	464,145
Early retirement	143,191	-	143,191
Compensated absences	114,199	-	114,199
Portion due after one year:			
Contract payable	10,000	-	10,000
Capital lease payable	35,670	-	35,670
General obligation bonds payable	1,825,000	-	1,825,000
Revenue bonds payable	2,824,636	-	2,824,636
Early retirement	421,147	-	421,147
TOTAL LIABILITIES	<u>13,674,969</u>	<u>36,655</u>	<u>13,711,624</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	3,906,623	72,180	3,978,803
Restricted for:			
Salary improvement program	3,066	-	3,066
Physical plant and equipment levy	35,722	-	35,722
Management levy	149,678	-	149,678
Other special revenue purposes	328,338	-	328,338
Unrestricted	39,585	38,054	77,639
TOTAL NET ASSETS	<u>\$ 4,463,012</u>	<u>\$ 110,234</u>	<u>\$ 4,573,246</u>

See Notes to Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants Contributions and Restricted Interest</u>
<u>FUNCTIONS/PROGRAMS:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,434,912	\$ 224,766	\$ 2,041,962	\$ -
Special instruction	2,189,278	62,521	84,565	-
Other instruction	<u>1,927,472</u>	<u>538,483</u>	<u>77,747</u>	-
	<u>9,551,662</u>	<u>825,770</u>	<u>2,204,274</u>	-
Support services:				
Student services	385,860	-	-	-
Instructional staff services	344,979	-	-	-
Administration services	1,502,354	-	-	-
Operation and maintenance of plant services	1,143,734	-	-	-
Transportation services	<u>583,229</u>	-	<u>7,404</u>	-
	<u>3,960,156</u>	-	<u>7,404</u>	-
Other expenditures:				
Facilities acquisitions	-	-	-	88,210
Long-term debt interest	274,118	-	-	-
AEA flowthrough	507,613	-	507,613	-
Depreciation (unallocated)*	<u>245,826</u>	-	-	-
	<u>1,027,557</u>	-	<u>507,613</u>	<u>88,210</u>
Total governmental activities	14,539,375	825,770	2,719,291	88,210
Business type activities:				
Non-instructional programs:				
Nutrition services	<u>657,159</u>	<u>258,846</u>	<u>384,315</u>	-
Total	\$ <u>15,196,534</u>	\$ <u>1,084,616</u>	\$ <u>3,103,606</u>	\$ <u>88,210</u>

GENERAL REVENUES:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs
See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
\$ (3,168,184)	\$ -	\$ (3,168,184)
(2,042,192)	-	(2,042,192)
<u>(1,311,242)</u>	<u>-</u>	<u>(1,311,242)</u>
<u>(6,521,618)</u>	<u>-</u>	<u>(6,521,618)</u>
(385,860)	-	(385,860)
(344,979)	-	(344,979)
(1,502,354)	-	(1,502,354)
(1,143,734)	-	(1,143,734)
<u>(575,825)</u>	<u>-</u>	<u>(575,825)</u>
<u>(3,952,752)</u>	<u>-</u>	<u>(3,952,752)</u>
88,210	-	88,210
(274,118)	-	(274,118)
-	-	-
<u>(245,826)</u>	<u>-</u>	<u>(245,826)</u>
<u>(431,734)</u>	<u>-</u>	<u>(431,734)</u>
<u>(10,906,104)</u>	<u>-</u>	<u>(10,906,104)</u>
-	<u>(13,998)</u>	<u>(13,998)</u>
<u>(10,906,104)</u>	<u>(13,998)</u>	<u>(10,920,102)</u>
3,179,247	-	3,179,247
273,065	-	273,065
144,198	-	144,198
196,549	-	196,549
1,162,639	-	1,162,639
7,016,010	-	7,016,010
150,764	1,170	151,934
<u>4,689</u>	<u>-</u>	<u>4,689</u>
<u>12,127,161</u>	<u>1,170</u>	<u>12,128,331</u>
1,221,057	(12,828)	1,208,229
<u>3,241,955</u>	<u>123,062</u>	<u>3,365,017</u>
\$ <u>4,463,012</u>	\$ <u>110,234</u>	\$ <u>4,573,246</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments:				
ISCAP	\$ 2,058,022	\$ -	\$ -	\$ 2,058,022
Other	958,244	756,989	561,550	2,276,783
Receivables:				
Property tax:				
Delinquent	66,219	6,613	12,403	85,235
Succeeding year	2,907,807	298,453	599,773	3,806,033
Income surtax	43,625	-	130,875	174,500
Accounts	3,709	-	44,415	48,124
Accrued ISCAP interest	14,630	-	-	14,630
Due from other governments	<u>279,018</u>	<u>-</u>	<u>96,780</u>	<u>375,798</u>
TOTAL ASSETS	\$ <u>6,331,274</u>	\$ <u>1,062,055</u>	\$ <u>1,445,796</u>	\$ <u>8,839,125</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,187,773	\$ -	\$ 105,489	\$ 1,293,262
Salaries and benefits payable	340,953	-	-	340,953
ISCAP warrants payable	2,046,000	-	-	2,046,000
ISCAP accrued interest payable	15,811	-	-	15,811
ISCAP unamortized premiums payable	21,984	-	-	21,984
Deferred revenue:				
Succeeding year property tax	2,907,807	298,453	599,773	3,806,033
Income surtax	43,625	-	130,875	174,500
Total liabilities	<u>6,563,953</u>	<u>298,453</u>	<u>836,137</u>	<u>7,698,543</u>
Fund balances:				
Reserved for:				
Debt service	-	763,602	-	763,602
Salary improvement program	3,066	-	-	3,066
Unreserved:				
Undesignated	<u>(235,745)</u>	<u>-</u>	<u>609,659</u>	<u>373,914</u>
Total fund balances	<u>(232,679)</u>	<u>763,602</u>	<u>609,659</u>	<u>1,140,582</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,331,274</u>	\$ <u>1,062,055</u>	\$ <u>1,445,796</u>	\$ <u>8,839,125</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

<u>TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS</u>	\$ 1,140,582
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	9,298,856
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(80,156)
Income surtax receivable, is not available to finance expenditures of the current fiscal period and, therefore, is deferred in the funds	174,500
Long-term liabilities, including land contracts payable, capital lease payable, bonds payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported in the funds	<u>(6,070,770)</u>
<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$ <u>4,463,012</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 3,159,467	\$ 298,776	\$ 1,570,531	\$ 5,028,774
Tuition	387,318	-	-	387,318
Other	341,447	24,312	453,366	819,125
State sources	8,764,052	305	572	8,764,929
Federal sources	745,151	-	-	745,151
Total revenues	<u>13,397,435</u>	<u>323,393</u>	<u>2,024,469</u>	<u>15,745,297</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,306,694	-	161,623	5,468,317
Special instruction	2,155,219	-	-	2,155,219
Other instruction	1,519,650	-	354,055	1,873,705
	<u>8,981,563</u>	<u>-</u>	<u>515,678</u>	<u>9,497,241</u>
Support services:				
Student services	379,594	-	-	379,594
Instructional staff services	325,223	-	-	325,223
Administration services	1,383,220	-	110,380	1,493,600
Operation and maintenance of plant services	1,203,208	-	257,193	1,460,401
Transportation services	560,373	-	20,225	580,598
	<u>3,851,618</u>	<u>-</u>	<u>387,798</u>	<u>4,239,416</u>
Other expenditures:				
Facilities acquisitions	-	-	858,845	858,845
Long-term debt:				
Principal	-	699,283	-	699,283
Interest and fiscal charges	-	244,297	-	244,297
AEA flowthrough	507,613	-	-	507,613
	<u>507,613</u>	<u>943,580</u>	<u>858,845</u>	<u>2,310,038</u>
Total expenditures	<u>13,340,794</u>	<u>943,580</u>	<u>1,762,321</u>	<u>16,046,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>56,641</u>	<u>(620,187)</u>	<u>262,148</u>	<u>(301,398)</u>
Other financing sources (uses):				
Transfers in	-	662,270	187,936	850,206
Transfers out	-	-	(850,206)	(850,206)
Total other financing sources (uses)	<u>-</u>	<u>662,270</u>	<u>(662,270)</u>	<u>-</u>
Net change in fund balances	56,641	42,083	(400,122)	(301,398)
Fund balances beginning of year	<u>(289,320)</u>	<u>721,519</u>	<u>1,009,781</u>	<u>1,441,980</u>
Fund balances end of year	<u>\$ (232,679)</u>	<u>\$ 763,602</u>	<u>\$ 609,659</u>	<u>\$ 1,140,582</u>

See Notes to Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (301,398)

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

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

Capital outlay	\$ 1,179,818	
Depreciation expense	<u>(478,354)</u>	701,464

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 repayments are as follows:

Repaid		657,754
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Income surtax is deferred in the governmental funds, but not in the Statement of Activities.		15,134
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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.		11,708
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows

Early retirement	164,368	
Compensated absences	<u>(27,973)</u>	<u>136,395</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,221,057

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>Nonmajor School Nutrition</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 64,629
Accounts receivable	93
Inventories	9,987
Capital assets, net of accumulated depreciation	<u>72,180</u>
Total assets	<u>146,889</u>
 <u>LIABILITIES:</u>	
Accounts payable	26,941
Salaries and benefits payable	<u>9,714</u>
Total liabilities	<u>36,655</u>
 <u>NET ASSETS:</u>	
Investment in capital assets, net of related debt	72,180
Unrestricted	<u>38,054</u>
Total net assets	\$ <u>110,234</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>Nonmajor School Nutrition</u>
<u>Operating revenues:</u>	
Local sources:	
Charges for service	\$ <u>258,846</u>
<u>Operating expenses:</u>	
Non-instructional programs:	
Food service operations:	
Salaries	237,366
Benefits	67,967
Purchased services and repairs and maintenance	16,892
Supplies	316,265
Depreciation	17,423
Other	<u>1,246</u>
Total operating expenses	<u>657,159</u>
Operating loss	<u>(398,313)</u>
<u>Non-operating revenues:</u>	
State sources	7,920
Federal sources	376,395
Interest income	<u>1,170</u>
Total non-operating revenues	<u>385,485</u>
Net loss	(12,828)
Net assets beginning of year	<u>123,062</u>
Net assets end of year	\$ <u>110,234</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008Nonmajor
School
NutritionCASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from sale of lunches and breakfasts	\$ 259,018
Cash payments to employees for services	(304,966)
Cash payments to suppliers for goods or services	<u>(323,594)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(369,542)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

State grants received	7,920
Federal grants received	<u>361,596</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>369,516</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	<u>(6,195)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>1,170</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (5,051)

CASH AND CASH EQUIVALENTS - Beginning of year69,680CASH AND CASH EQUIVALENTS - End of year\$ 64,629RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (398,313)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,799
Depreciation	17,423
Loss on disposal	442
Decrease in accounts receivable	172
Decrease in inventories	935
Decrease in accounts payable	(5,367)
Increase in salaries and benefits payable	<u>367</u>
Net cash used in operating activities	\$ <u>(369,542)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$20,713, \$5,914 of which are included in inventory at June 30, 2008.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

Private Purpose
Trust
Scholarship

ASSETS:

Cash and pooled investments

\$ 348,407

LIABILITIES:

None

-

NET ASSETS:

Reserved for scholarships

\$ 348,407

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2008

Private
Purpose Trust
Scholarship

ADDITIONS:

Local sources:

Interest income

\$ 15,082

Donations

6,051

Total additions

21,133

DEDUCTIONS:

Support services:

Scholarships awarded

5,777

Change in net assets

15,356

Net assets beginning of year

333,051

Net assets end of year

\$ 348,407

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 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.

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 does 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.

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 service.

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 attributable 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 assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds.

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

The District also reports a fiduciary fund which focuses 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.

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.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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 the 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 non-operating 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.

Assets, Liabilities and Fund Equity

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

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

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

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

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

Property tax receivable is recognized in the 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 becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to County Board of Supervisors in April 2007.

Due from Other Governments – Due from other governments represent 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings and improvements	2,500
Land improvements	2,500
Machinery and equipment	2,500

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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 represents 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 property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in 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 in the 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, 2008. 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.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>1,894,089</u>

The investment is 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.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 662,270
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	179,630
Special Revenue: Expendable Trust	Special Revenue: Physical Plant and Equipment Levy	<u>8,306</u>
Total		\$ <u>850,206</u>

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

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-2008B	01/23/08	01/23/09	\$ 945,024	\$ 14,207	\$ 942,000	\$ 15,388
2008-2009A	06/26/08	06/25/09	<u>1,112,998</u>	<u>423</u>	<u>1,104,000</u>	<u>423</u>
			\$ <u>2,058,022</u>	\$ <u>14,630</u>	\$ <u>2,046,000</u>	\$ <u>15,811</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 25th 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, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-2008A	\$ _____	\$ <u>1,328,897</u>	\$ <u>1,328,897</u>	\$ _____

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-2008B	3.750%	3.451%
2008-2009A	3.500%	3.469%

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 258,933	\$ 6,195	\$ 14,754	\$ 250,374
Less accumulated depreciation	<u>175,083</u>	<u>17,423</u>	<u>14,312</u>	<u>178,194</u>
Business type activities capital assets, net	\$ <u>83,850</u>	\$ <u>(11,228)</u>	\$ <u>442</u>	\$ <u>72,180</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5: CAPITAL ASSETS (Continued)

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	\$ -	\$ -	\$ 204,400
Construction in progress	<u>2,314,213</u>	<u>1,045,118</u>	<u>3,359,331</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,518,613</u>	<u>1,045,118</u>	<u>3,359,331</u>	<u>204,400</u>
Capital assets being depreciated:				
Buildings and improvements	11,191,381	3,359,332	-	14,550,713
Land improvements	454,021	-	-	454,021
Machinery and equipment	<u>2,590,806</u>	<u>134,699</u>	<u>95,326</u>	<u>2,630,179</u>
Total capital assets being depreciated	<u>14,236,208</u>	<u>3,494,031</u>	<u>95,326</u>	<u>17,634,913</u>
Less accumulated depreciation for:				
Buildings and improvements	5,733,814	212,187	-	5,946,001
Land improvements	199,368	22,701	-	222,069
Machinery and equipment	<u>2,224,247</u>	<u>243,466</u>	<u>95,326</u>	<u>2,372,387</u>
Total accumulated depreciation	<u>8,157,429</u>	<u>478,354</u>	<u>95,326</u>	<u>8,540,457</u>
Total capital assets being depreciated, net	<u>6,078,779</u>	<u>3,015,677</u>	<u>-</u>	<u>9,094,456</u>
Governmental activities capital assets, net	\$ <u>8,597,392</u>	\$ <u>4,060,795</u>	\$ <u>3,359,331</u>	\$ <u>9,298,856</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 102,990
Special	34,059
Other	53,767
Support services:	
Student support	6,266
Instructional staff	19,756
Administration	8,754
Operation and maintenance of plant	4,305
Transportation	2,631
Unallocated	<u>245,826</u>
Total depreciation expense - Governmental activities	\$ <u>478,354</u>
Business-type activities:	
Food service operations	\$ <u>17,423</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Contract payable	\$ 30,000	\$ -	\$ 10,000	\$ 20,000	\$ 10,000
Capital lease payable	60,462	-	12,010	48,452	12,782
General obligation bonds	2,230,000	-	195,000	2,035,000	210,000
Revenue bonds	3,729,525	-	440,744	3,288,781	464,145
Early retirement	728,706	-	164,368	564,338	143,191
Compensated absences	<u>86,226</u>	<u>114,199</u>	<u>86,226</u>	<u>114,199</u>	<u>114,199</u>
Total	\$ <u>6,864,919</u>	\$ <u>114,199</u>	\$ <u>908,348</u>	\$ <u>6,070,770</u>	\$ <u>954,317</u>

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Bond Issue of June 1, 1992</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>305,000</u>	<u>15,250</u>	<u>320,250</u>
		\$ <u>2,035,000</u>	\$ <u>487,000</u>	\$ <u>2,522,000</u>

Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Bond Issue of December 10, 2005</u>			<u>Bond Issue of July 1, 2006</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	
2009	4.22 %	\$ 244,145	\$ 49,162	4.25 %	\$ 220,000	\$ 85,213	
2010	4.22	254,556	38,750	4.25	230,000	75,756	
2011	4.22	265,411	27,894	4.25-4.30	235,000	65,981	
2012	4.22	276,731	16,576	4.30-4.40	245,000	56,545	
2013	4.22	187,938	4,775	4.40-4.45	335,000	46,860	
2014	-	-	-	4.45-4.50	495,000	30,705	
2015	-	-	-	4.50	<u>300,000</u>	<u>6,750</u>	
		\$ <u>1,228,781</u>	\$ <u>137,157</u>		\$ <u>2,060,000</u>	\$ <u>367,810</u>	

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 6: LONG-TERM LIABILITIES (continued)

Total		
<u>Principal</u>	<u>Interest</u>	<u>Total</u>
\$ 464,145	\$ 134,375	\$ 598,520
484,556	114,506	599,062
500,411	93,875	594,286
521,731	73,121	594,852
519,523	51,635	571,158
495,000	30,705	525,705
<u>303,415</u>	<u>6,750</u>	<u>310,165</u>
\$ <u>3,288,781</u>	\$ <u>504,967</u>	\$ <u>3,793,748</u>

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.

Contract Payable

During November 2005, the District entered into a contract to purchase land for \$45,000. The effective interest rate on the contract is 1.95%. The District paid \$5,000 down and will make additional payments as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,000	\$ 329	\$ 10,329
2010	<u>10,000</u>	<u>117</u>	<u>10,117</u>
	\$ <u>20,000</u>	\$ <u>446</u>	\$ <u>20,446</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6: LONG-TERM LIABILITIES (continued)

Capital Lease Payable

During January 2007, the District entered into an agreement to lease office equipment for \$65,250. The effective interest rate on the lease is 6.25%. Payments on the lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,782	\$ 2,667	\$ 15,449
2010	13,605	1,844	15,449
2011	14,480	969	15,449
2012	<u>7,585</u>	<u>139</u>	<u>7,724</u>
	\$ <u>48,452</u>	\$ <u>5,619</u>	\$ <u>54,071</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age 55 and employees must have completed 10 years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. There are currently three options available to eligible employees. The early retirement incentives for each eligible employee are equal to, 1) the full monthly cost of single medical insurance for the District's plan, 2) the full monthly cost of single medical insurance of the middle deductible plan, or 3) a predetermined amount based upon age and years of service is given to the retiree to purchase health insurance, until the month the retiree attains the age of 65. Early retirement benefits paid for the year ended June 30, 2008 totaled \$164,368. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

NOTE 7: PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$563,955, \$527,411, and \$516,249, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

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.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 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 \$507,613 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10: DEFICIT FUND BALANCES

At June 30, 2008, there was a deficit undesignated fund balance in the General Fund of \$232,679. The District plans to eliminate this deficit through future receipts and reductions to future expenditures when possible.

REQUIRED SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Local sources	\$ 6,235,217	\$ 260,016	\$ 6,495,233
State sources	8,764,929	7,920	8,772,849
Federal sources	<u>745,151</u>	<u>376,395</u>	<u>1,121,546</u>
Total receipts	<u>15,745,297</u>	<u>644,331</u>	<u>16,389,628</u>
Expenditures:			
Instruction	9,497,241	-	9,497,241
Support services	4,239,416	-	4,239,416
Non-instructional programs	-	657,159	657,159
Other expenditures	<u>2,310,038</u>	<u>-</u>	<u>2,310,038</u>
Total expenditures	<u>16,046,695</u>	<u>657,159</u>	<u>16,703,854</u>
Excess (deficiency) of receipts over (under) expenditures	(301,398)	(12,828)	(314,226)
Balances beginning of year	<u>1,441,980</u>	<u>123,062</u>	<u>1,565,042</u>
Balances end of year	\$ <u>1,140,582</u>	\$ <u>110,234</u>	\$ <u>1,250,816</u>

Budgeted Amounts		Final to Actual
<u>Original</u>	<u>Final</u>	<u>Variance</u>
\$ 6,144,654	\$ 6,144,654	\$ 350,579
9,033,755	9,033,755	(260,906)
<u>1,067,500</u>	<u>1,067,500</u>	<u>54,046</u>
<u>16,245,909</u>	<u>16,245,909</u>	<u>143,719</u>
9,649,250	9,649,250	152,009
4,412,250	4,412,250	172,834
695,000	695,000	37,841
<u>2,273,659</u>	<u>2,420,000</u>	<u>109,962</u>
<u>17,030,159</u>	<u>17,176,500</u>	<u>472,646</u>
(784,250)	(930,591)	616,365
<u>1,138,276</u>	<u>1,138,276</u>	<u>426,766</u>
\$ <u>354,026</u>	\$ <u>207,685</u>	\$ <u>1,043,131</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

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 comparisons 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$146,341.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

Special Revenue Funds

	Management	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>						
Cash and pooled investments	\$ 140,767	\$ 213,515	\$ 72,840	\$ 124,497	\$ 9,931	\$ 561,550
Receivables:						
Property tax:						
Current year delinquent	8,911	-	3,492	-	-	12,403
Succeeding year	400,000	-	199,773	-	-	599,773
Income surtax	-	-	130,875	-	-	130,875
Accounts	-	3,705	-	100	40,610	44,415
Due from other governments	-	900	-	-	95,880	96,780
	<u>-</u>	<u>900</u>	<u>-</u>	<u>-</u>	<u>95,880</u>	<u>96,780</u>
TOTAL ASSETS	\$ <u>549,678</u>	\$ <u>218,120</u>	\$ <u>406,980</u>	\$ <u>124,597</u>	\$ <u>146,421</u>	\$ <u>1,445,796</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	\$ 14,379	\$ 40,610	\$ -	\$ 50,500	\$ 105,489
Deferred revenue:						
Succeeding year property tax	400,000	-	199,773	-	-	599,773
Income surtax	-	-	130,875	-	-	130,875
Total liabilities	<u>400,000</u>	<u>14,379</u>	<u>371,258</u>	<u>-</u>	<u>50,500</u>	<u>836,137</u>
Fund balances:						
Unreserved:						
Undesignated	<u>149,678</u>	<u>203,741</u>	<u>35,722</u>	<u>124,597</u>	<u>95,921</u>	<u>609,659</u>
Total fund balances	<u>149,678</u>	<u>203,741</u>	<u>35,722</u>	<u>124,597</u>	<u>95,921</u>	<u>609,659</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>549,678</u>	\$ <u>218,120</u>	\$ <u>406,980</u>	\$ <u>124,597</u>	\$ <u>146,421</u>	\$ <u>1,445,796</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Management	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ 402,589	\$ -	\$ 248,483	\$ -	\$ 919,459	\$ 1,570,531
Other	25,639	373,889	7,282	9,589	36,967	453,366
State sources	411	-	161	-	-	572
Federal sources	-	-	-	-	-	-
Total revenues	<u>428,639</u>	<u>373,889</u>	<u>255,926</u>	<u>9,589</u>	<u>956,426</u>	<u>2,024,469</u>
Expenditures						
Current:						
Instruction:						
Regular instruction	161,623	-	-	-	-	161,623
Other instruction	-	354,055	-	-	-	354,055
	<u>161,623</u>	<u>354,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>515,678</u>
Support services:						
Administration services	110,380	-	-	-	-	110,380
Operation and maintenance of plant services	56,610	-	197,305	3,278	-	257,193
Transportation services	20,225	-	-	-	-	20,225
	<u>187,215</u>	<u>-</u>	<u>197,305</u>	<u>3,278</u>	<u>-</u>	<u>387,798</u>
Other expenditures:						
Facilities acquisitions	-	-	-	-	858,845	858,845
Total expenditures	<u>348,838</u>	<u>354,055</u>	<u>197,305</u>	<u>3,278</u>	<u>858,845</u>	<u>1,762,321</u>
Excess of revenues over expenditures	<u>79,801</u>	<u>19,834</u>	<u>58,621</u>	<u>6,311</u>	<u>97,581</u>	<u>262,148</u>
Other financing sources (uses):						
Transfers in	-	-	-	8,306	179,630	187,936
Transfers out	-	-	(187,936)	-	(662,270)	(850,206)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(187,936)</u>	<u>8,306</u>	<u>(482,640)</u>	<u>(662,270)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>79,801</u>	<u>19,834</u>	<u>(129,315)</u>	<u>14,617</u>	<u>(385,059)</u>	<u>(400,122)</u>
Fund balances beginning of year	<u>69,877</u>	<u>183,907</u>	<u>165,037</u>	<u>109,980</u>	<u>480,980</u>	<u>1,009,781</u>
Fund balances end of year	\$ <u>149,678</u>	\$ <u>203,741</u>	\$ <u>35,722</u>	\$ <u>124,597</u>	\$ <u>95,921</u>	\$ <u>609,659</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND - EXPENDABLE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Revenues/ Transfers In	Expenditures	Balance End of Year
Bessie Adams Memorial	\$ 527	\$ 15	\$ 518	\$ 24
Elgin Memorial	-	8,479	-	8,479
Loretta Kauzlarich Memorial	-	1,597	-	1,597
Mark Traxler Memorial	2,000	95	-	2,095
Kirkpatrick Memorial	1,200	56	-	1,256
Ray Miller Memorial	1,625	78	-	1,703
Ruggles Math & Science Center	99,628	4,594	90	104,132
Clyde & Virginia Carney Memorial	<u>5,000</u>	<u>2,981</u>	<u>2,670</u>	<u>5,311</u>
	\$ <u>109,980</u>	\$ <u>17,895</u>	\$ <u>3,278</u>	\$ <u>124,597</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND -
SCHOLARSHIP ACCOUNTS
YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Rubbermaid Scholarship	\$ 2,452	\$ 117	\$ -	\$ 2,569
Orville Butler	887	334	350	871
Class of 1949	21,298	2,268	500	23,066
John Sacco Memorial Scholarship	148	3	151	-
Don Whisler Memorial Scholarship	5,554	260	500	5,314
Bill Swab Scholarship	102	4	106	-
Kenneth Elgin Scholarship	131,153	6,032	1,000	136,185
Milton Stout Scholarship	1,241	43	500	784
FCCLA Scholarship	945	40	-	985
Roy Livengood Memorial Scholarship	922	33	300	655
Robert Harl Memorial Scholarship	506	114	500	120
Harry L. Dukes Memorial	361	15	-	376
Gower-Voxman Scholarship	2,352	112	-	2,464
Dr. F.B. Leffert Scholarship	27,931	1,321	300	28,952
Vidas Scholarship	1,462	70	-	1,532
Colleen Cook Scholarship	73,628	3,476	1,270	75,834
Gerald Foster Memorial	20,883	996	-	21,879
Dana Moritz Scholarship	17,568	2,069	300	19,337
Clyde and Virginia Carney Memorial	23,658	3,826	-	27,484
	\$ <u>333,051</u>	\$ <u>21,133</u>	\$ <u>5,777</u>	\$ <u>348,407</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICTSCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
General athletics	\$ 8,758	\$ 8,081	\$ 1,465	\$ 15,374
High school general account	7,109	3,601	5,212	5,498
Appanoose County alternative high school	562	25	42	545
Thespian	6,928	4,216	6,310	4,834
Speech	673	111	310	474
Vocal music concert admissions	3,803	3,495	3,858	3,440
Vocal music	764	-	-	764
K-3 vocal music	91	-	-	91
Instrumental music concert admissions	221	1,678	491	1,408
High school instrumental music resale	339	7,240	7,313	266
Junior high instrumental music	284	417	573	128
Lakeview instrumental music	590	1,381	973	998
High school jazz band	1,070	-	249	821
High school instrumental music	128	-	23	105
Junior high athletics	17,228	20,731	16,684	21,275
Boys cross country	500	386	226	660
Girls cross country	500	420	290	630
Boys basketball	2,485	7,905	4,029	6,361
Football	14,649	29,052	28,337	15,364
Boys soccer	2,667	2,644	3,595	1,716
Baseball	5,006	10,038	9,532	5,512
Boys track	864	2,621	2,164	1,321
Boys tennis	495	55	50	500
Boys golf	800	551	406	945
Wrestling	2,462	9,700	8,195	3,967
Girls basketball	2,580	8,261	5,828	5,013
Volleyball	5,002	3,814	2,511	6,305
Girls volleyball fundraisers	596	183	183	596
Girls soccer	2,720	1,748	1,466	3,002
Softball	1,963	20,569	15,913	6,619
Girls track	928	324	382	870
Girls tennis	620	1,431	1,386	665
Girls golf	500	300	-	800
K-3 general account	606	36	26	616
Central elementary activity	5,051	568	601	5,018
Central pop	825	464	420	869
Cincinnati activity	1,202	182	176	1,208
Cincinnati pop	331	181	201	311
Garfield activity	1,292	322	339	1,275
Garfield pop	840	107	51	896
Lincoln activity	890	295	286	899
Lincoln pop	150	-	-	150

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND -
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Mystic activity	\$ 2,178	\$ 197	\$ 300	\$ 2,075
Lakeview activity	4,303	13,562	12,593	5,272
Lakeview pop	1,632	506	776	1,362
Junior High activity	26,551	28,458	34,893	20,116
Ameri-Corps	725	-	-	725
High school big red dinner	326	2,042	1,962	406
High school yearbook	1,773	17,599	18,283	1,089
High school graduation	618	2,625	2,546	697
High school science club	89	-	-	89
FCCLA	793	3,432	3,318	907
FFA	2,697	27,665	28,874	1,488
National honor society	717	978	1,003	692
High school cheerleaders	909	8,871	9,489	291
Student council	14,357	43,865	44,368	13,854
Social science	505	-	216	289
Office education	130	-	-	130
Student lowegian	97	-	70	27
Spanish club	1,149	-	190	959
Weight room	3,054	8,417	9,610	1,861
Class of 2007	1,678	-	550	1,128
Class of 2008	1,409	-	433	976
Class of 2009	-	3,435	1,388	2,047
Activity ticket	5,541	25,240	21,943	8,838
Athletics booster club	7,204	26,600	23,890	9,914
Licenses and permits	-	232	232	-
School promotions	400	-	-	400
Interest	-	7,032	7,032	-
Total	\$ 183,907	\$ 373,889	\$ 354,055	\$ 203,741

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual			
	Years Ended			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Local sources:				
Local tax	\$ 5,028,774	\$ 4,782,673	\$ 4,707,887	\$ 4,210,359
Tuition	387,318	388,623	431,633	255,975
Other	819,125	1,004,363	739,564	942,469
State sources	8,764,929	8,301,430	7,929,782	7,828,394
Federal sources	<u>745,151</u>	<u>859,871</u>	<u>1,032,745</u>	<u>949,831</u>
 Total	 \$ <u>15,745,297</u>	 \$ <u>15,336,960</u>	 \$ <u>14,841,611</u>	 \$ <u>14,187,028</u>
 Expenditures:				
Instruction:				
Regular instruction	\$ 5,468,317	\$ 5,650,425	\$ 5,489,650	\$ 5,486,876
Special instruction	2,155,219	2,595,201	2,473,743	2,578,875
Other instruction	1,873,705	860,778	890,882	946,480
Support services:				
Student services	379,594	366,232	379,001	473,602
Instructional staff services	325,223	269,539	419,460	368,937
Administration services	1,493,600	1,497,455	1,283,478	1,035,581
Operation and maintenance of plant services	1,460,401	1,492,753	1,316,773	1,286,968
Transportation services	580,598	582,836	546,251	642,588
Non-instructional	-	-	13,834	25,978
Other expenditures:				
Facilities acquisitions	858,845	2,336,795	1,034,504	1,975,031
Long-term debt:				
Principal	699,283	596,595	418,668	222,000
Interest	244,297	250,448	229,088	155,640
AEA flow-through	<u>507,613</u>	<u>492,942</u>	<u>465,155</u>	<u>464,456</u>
 Total	 \$ <u>16,046,695</u>	 \$ <u>16,991,999</u>	 \$ <u>14,960,487</u>	 \$ <u>15,663,012</u>

SCHEDULE 6

Basis		
<u>June 30,</u>		
<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,548,519	\$ 3,595,752	\$ 3,363,475
318,551	226,866	276,429
797,036	773,121	766,670
7,731,425	7,740,582	8,783,285
<u>942,686</u>	<u>688,282</u>	<u>598,159</u>
\$ <u>13,338,217</u>	\$ <u>13,024,603</u>	\$ <u>13,788,018</u>
\$ 5,569,309	\$ 5,665,289	\$ 5,255,466
2,585,388	2,802,256	2,528,203
923,240	226,352	938,309
455,113	364,208	379,837
258,357	287,205	289,498
1,052,848	925,776	844,327
1,235,016	1,211,234	1,156,362
561,021	608,447	499,231
34,413	42,385	21,341
584,523	931,992	63,087
189,000	191,000	333,000
165,683	177,989	192,827
<u>472,458</u>	<u>491,993</u>	<u>494,990</u>
\$ <u>14,086,369</u>	\$ <u>13,926,126</u>	\$ <u>12,996,478</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Agriculture: Iowa Department of Education: Food donation (non-cash)	10.550	FY 08	\$ <u>20,713</u>
School Nutrition Cluster Programs: School breakfast program	10.553	FY 08	90,641
National school lunch program	10.555	FY 08	<u>285,754</u>
			<u>376,395</u>
U.S. Department of Education:			
Iowa Department of Education: Title I grants to local educational agencies	84.010	1071-G	<u>368,211</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>13,724</u>
State Grants for Innovative Programs	84.298	FY 08	<u>2,924</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>109,961</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>10,493</u>
Area Education Agency:			
Vocational education - Basic Grants to States	84.048A	FY 08	<u>25,467</u>
Special education - Grants to States (Part B)	84.027	FY 08	<u>84,565</u>
Education Technology State Grants	84.318	FY 08	<u>6,450</u>
Total			\$ <u>1,018,903</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

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

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
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, 2008 which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated March 27, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Centerville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Centerville Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Centerville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Centerville Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Centerville Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Centerville Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Centerville Community School District's responses and, accordingly, we express no opinion on them.

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 the 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.

ANDERSON, LARKIN & CO. P.C

Ottumwa, Iowa
March 27, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of the
Centerville Community School District

Compliance

We have audited the compliance of the Centerville Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 grant agreements applicable to each of its major federal programs is the responsibility of the Centerville Community School District's management. Our responsibility is to express an opinion on the 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Centerville Community School District's compliance with those requirements.

In our opinion, the 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, 2008.

Internal Control Over Compliance

The management of the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, we noted no deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Centerville Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Centerville Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Centerville Community School District and other parties to whom the 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 27, 2009

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

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

- a. Unqualified opinions were issued on the financial statements
- b. No significant deficiencies 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 significant deficiencies 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 disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. Major programs were 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 qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies – No matters were reported.

Instances of Noncompliance – No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiencies – No matters were reported

Instances of Noncompliance – No matters were reported

Part IV: Other Findings Related to Required Statutory Reporting:

- 08-IV-A Certified Budget – Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.
- 08-IV-B Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 08-IV-C 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.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

- 08-IV-D Business Transactions – No business transactions between the District and District officials or employees were noted.
- 08-IV-E 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.
- 08-IV-F Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board
- 08-IV-G Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 08-IV-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 08-IV-I Certified Annual Report – The certified annual report was certified timely to the Iowa Department of Education
- 08-IV-J Financial Condition – The District had an undesignated deficit fund balance of \$232,679 in the General Fund at June 30, 2008.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response – The District will continue to monitor and eliminate the deficit.

Conclusion – Response accepted.