

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

JUNE 30, 2009

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education  
(Before September 2008 Election)

Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Bill Matkovich	Board Member	2008
Jeri Pershey	Board Member	2008
Nick Hindley	Board Member	2008
Brad Appler	Board Member	2010
Deborah Watley	Board Member	2010

Board of Education  
(After September 2008 Election)

Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Bill Matkovich	Board Member	2011
Jeri Pershey	Board Member	2011
Nick Hindley	Board Member	2011
Brad Appler	Board Member	2011*
Deborah Watley	Board Member	2009*

School Officials

Richard Turner	Superintendent	2009
Marvin Judkins	Business Manager	2009
Linda Henderson	Board Secretary/Treasurer	2009
Rick Engel	Attorney	Indefinite

\* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of governmental activities, 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Centerville Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof 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 January 21, 2010 on our consideration of the Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Centerville Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed

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unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2005 (which are not presented herein) and 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 and 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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 21, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,397,435 in fiscal 2008 to \$14,015,567 in fiscal 2009, while General Fund expenditures increased from \$13,340,794 in fiscal 2008 to \$14,046,957 in fiscal 2009. The District's General Fund balance decreased from a deficit \$232,679 at the end of fiscal 2008 to a deficit \$264,069 at the end of fiscal 2009, a 13.49% decrease.
- The increase in General Fund revenues was attributable to an increase in income surtax and state and federal grant revenues in 2009. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The reason the General Fund balance decreased is because the increase in revenues was less than the increase in expenditures. As a result, the District's fund balance decreased \$31,390.
- The state helped address its issues with expenditures exceeding revenues by across the board budget reductions for Iowa schools. The reductions for the district exceeded \$100,000 and contributed to the cash deficit for FY2009.
- The district's unused spending authority increased approaching a cumulative total of \$2,000,000.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Centerville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Centerville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Centerville Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

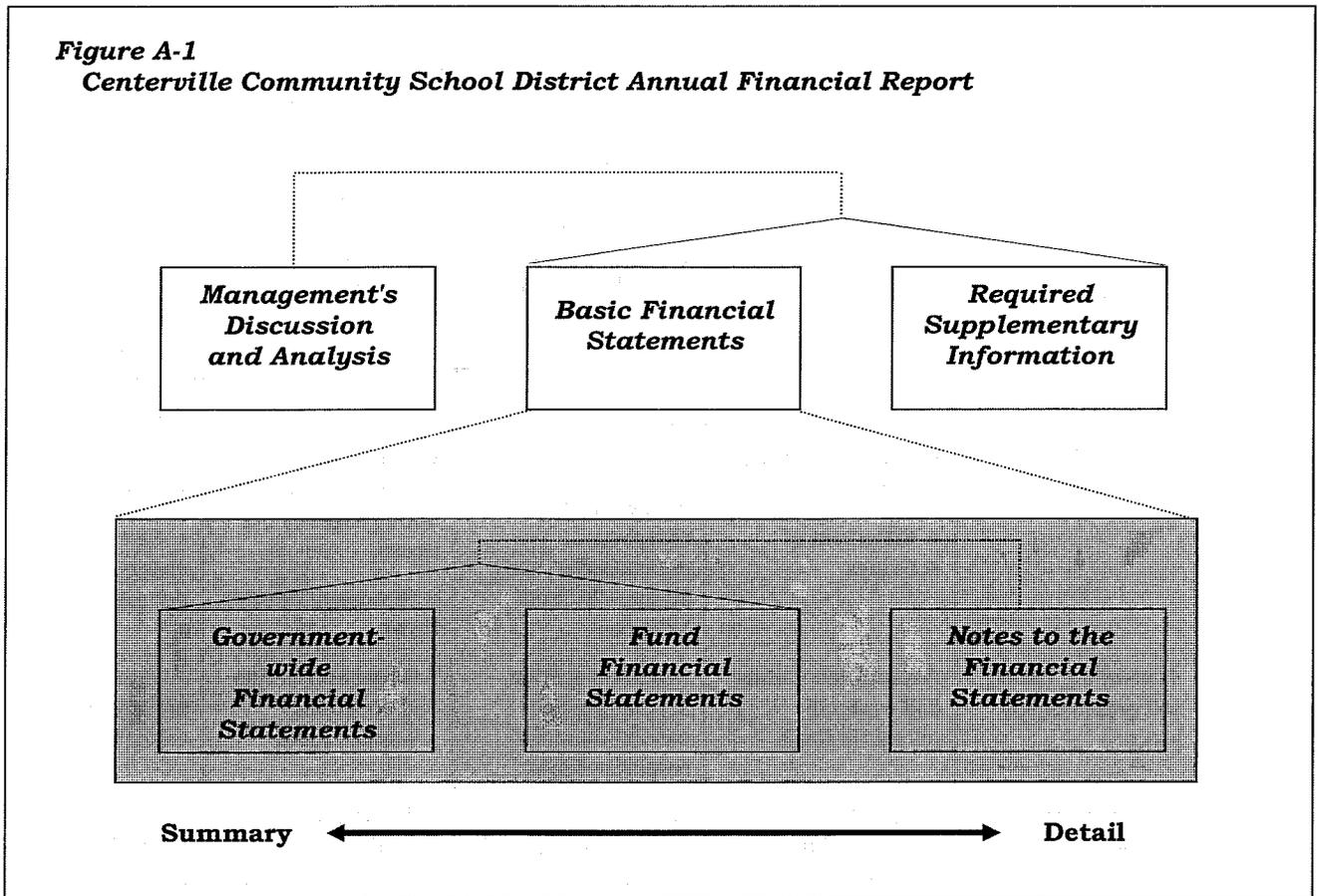


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide 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 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 position. Over time, increases or decreases in the District's net assets are an indicator of whether the financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 and child care programs are included here.

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

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 District-wide 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 District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, Self-Funded Insurance Fund.

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

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

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring 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 proprietary funds include a statement of fiduciary net assets and statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2009.

Table 1  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 10,020,567	8,839,125	86,474	74,709	10,107,041	8,913,834	13.39%
Capital assets	8,969,801	9,298,856	80,804	72,180	9,050,605	9,371,036	-3.42%
Total assets	18,990,368	18,137,981	167,278	146,889	19,157,646	18,284,870	4.77%
Long-term obligations	5,161,467	6,070,770	-	-	5,161,467	6,070,770	-14.98%
Other liabilities	8,167,767	7,604,199	58,720	36,655	8,226,487	7,640,854	7.66%
Total liabilities	13,329,234	13,674,969	58,720	36,655	13,387,954	13,711,624	-2.36%
Net assets:							
Invested in capital assets, net of related debt	4,349,982	3,906,623	80,804	72,180	4,430,786	3,978,803	11.36%
Restricted	2,056,852	516,804	-	-	2,056,852	516,804	297.99%
Unrestricted	(745,700)	39,585	27,754	38,054	(717,946)	77,639	-1024.72%
Total net assets	\$ 5,661,134	4,463,012	108,558	110,234	5,769,692	4,573,246	26.16%

The District's combined net assets increased by 26.16%, or \$1,196,446, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,540,048, or 297.99% under the prior year. The increase was primarily a result of the reclassification of the fund balances in the Debt Service Fund and Capital Projects Fund.

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 \$795,585, or 1,024.72%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance. A major contributing factor to the reclassification of the Debt Service Fund and Capital Projects Fund to be restricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2009.

Table 2  
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 855,540	825,770	246,014	258,846	1,101,554	1,084,616	1.56%
Operating grants and contributions and restricted interest	2,539,682	2,719,291	413,152	384,315	2,952,834	3,103,606	-4.86%
Capital grants and contributions and restricted interest	-	88,210	-	-	-	88,210	-100.00%
General revenues:							
Property tax	3,786,349	3,596,510	-	-	3,786,349	3,596,510	5.28%
Income surtax	201,058	196,549	-	-	201,058	196,549	2.29%
Statewide sales and services tax	1,027,163	1,074,429	-	-	1,027,163	1,074,429	-4.40%
City sales and services tax	103,956	88,210	-	-	103,956	88,210	17.85%
Unrestricted state grants	7,763,731	7,016,010	-	-	7,763,731	7,016,010	10.66%
Unrestricted investment earnings	68,136	150,764	270	1,170	68,406	151,934	-54.98%
Other	182,701	4,689	-	-	182,701	4,689	3796.37%
Total revenues	16,528,316	15,760,432	659,436	644,331	17,187,752	16,404,763	4.77%
Program expenses:							
Governmental activities:							
Instruction	9,808,141	9,551,662	-	-	9,808,141	9,551,662	2.69%
Support services	4,250,875	3,960,156	17,211	-	4,268,086	3,960,156	7.78%
Non-instructional programs	-	-	651,901	657,159	651,901	657,159	-0.80%
Other expenses	1,263,178	1,027,557	-	-	1,263,178	1,027,557	22.93%
Total expenses	15,322,194	14,539,375	669,112	657,159	15,991,306	15,196,534	5.23%
Changes in net assets	1,206,122	1,221,057	(9,676)	(12,828)	1,196,446	1,208,229	-0.98%
Transfers	(8,000)	-	8,000	-	-	-	0.00%
Changes in net assets	1,198,122	1,221,057	(1,676)	(12,828)	1,196,446	1,208,229	-0.98%
Beginning net assets	4,463,012	3,241,955	110,234	123,062	4,573,246	3,365,017	35.91%
Ending net assets	\$ 5,661,134	4,463,012	108,558	110,234	5,769,692	4,573,246	26.16%

In fiscal 2009, property tax, income surtax, statewide sales and services tax, city sales and services tax and unrestricted state grants account for 77.94% of the governmental revenue while charges for services and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$17.2 million, of which \$16.5 million was for governmental activities and \$.7 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.77% increase in revenues and a 5.23% increase in expenses. Unrestricted state grants increased \$747,721 which caused the majority of the increase in revenues. The increase in other general revenues was caused in the different ways revenues were broken out. The increases in expenses related to increases in negotiated salaries and benefits.

## Governmental Activities

Revenues for governmental activities were \$16,528,316 and expenses and transfers were \$15,330,194.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Table 3  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 9,808,141	9,551,662	2.69%	\$ 6,944,719	6,521,618	6.49%
Support services	4,250,875	3,960,156	7.34%	4,249,394	3,952,752	7.50%
Other expenses	1,263,178	1,027,557	22.93%	732,859	431,734	69.75%
Totals	<u>\$ 15,322,194</u>	<u>14,539,375</u>	<u>5.38%</u>	<u>\$ 11,926,972</u>	<u>10,906,104</u>	<u>9.36%</u>

- The cost financed by users of the District's programs was \$855,540.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,539,682.
- The net cost of governmental activities was financed with \$3,786,349 in property tax, \$201,058 in income surtax, \$1,027,163 in statewide sales and services tax, \$103,956 in city sales and services tax, \$7,763,731 in unrestricted state grants, \$68,136 in unrestricted investment earnings, and \$182,701 in other general revenues.

## Business Type Activities

Revenues and transfers of the District's Business type activities were \$667,436 and expenses were \$669,112. 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 balances of \$1,619,258, above last year's ending fund balances of \$1,140,582. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the Capital Projects Funds balances.

## Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The District's increase in General Fund expenditures was more than the increase in revenues.
- The General Fund balance decreased from a deficit \$232,649 to a deficit \$264,069, due in part to the increased negotiated salaries and benefits expenditures.
- The Debt Service Fund balance increased from \$763,602 in fiscal 2008 to \$802,407 in fiscal 2009. The District transfers in statewide and city sales and services tax monies from the Capital Projects Fund to pay for bond principal and interest.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$110,234 at June 30, 2008 to \$108,558 at June 30, 2009, representing a decrease of 1.52%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$231,287 less than budgeted revenues, a variance of 1.33%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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, 2009, the District had invested \$9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.42% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$478,778.

The original cost of the District's capital assets was \$18.0 million. Governmental funds account for \$17.7 million with the remainder of \$0.3 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,224,559 at June 30, 2009, compared to \$8,604,712 reported at June 30, 2008. This decrease resulted from depreciation expense.

Table 4

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 204,400	204,400	-	-	204,400	204,400	0.00%
Buildings	8,224,559	8,604,712	-	-	8,224,559	8,604,712	-4.42%
Land improvements	209,251	231,952	-	-	209,251	231,952	-9.79%
Machinery and equipment	331,591	257,792	80,804	72,180	412,395	329,972	24.98%
Total	\$ 8,969,801	9,298,856	80,804	72,180	9,050,605	9,371,036	-3.42%

### Long-Term Debt

At June 30, 2009, the District had \$5,161,467 in general obligation and other long-term debt outstanding. This represents a decrease of 14.98% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,835,000 at June 30, 2009.

The District had outstanding revenue bonds of \$2,749,149 at June 30, 2009.

The District had outstanding capital leases of \$35,670 at June 30, 2009.

The District had early retirement payable of \$425,756 at June 30, 2009, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District also had compensated absences payable of \$115,892 at June 30, 2009, which will be paid primarily out of the General Fund.

Table 5  
Outstanding Long-Term Obligations

	Governmental Activities		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 1,835,000	2,035,000	-9.83%
Revenue bonds	2,749,149	3,288,781	-16.41%
Contract	-	20,000	-100.00%
Capital loan notes	35,670	48,452	-26.38%
Early retirement	425,756	564,338	-24.56%
Compensated absences	115,892	114,119	1.55%
Totals	<u>\$ 5,161,467</u>	<u>6,070,690</u>	<u>-14.98%</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District has experienced declining enrollment in the recent past, and the 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 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 2010.
- 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.
- The state financial woes and its inability to make its foundation payments to schools in full compounds the districts economic issues and at this time, may be the most serious of the factors causing concern for the school district.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT**

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 Dr. Marvin Judkins, Business Manager, Centerville Community School District, PO Box 370, Centerville, Iowa, 52544.

## **Basic Financial Statements**

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 2,635,989	\$ -	\$ 2,635,989
Other	2,720,603	75,095	2,795,698
Receivables:			
Property tax:			
Delinquent	74,575	-	74,575
Succeeding year	3,783,281	-	3,783,281
Income surtax	180,872	-	180,872
Accounts	8,443	61	8,504
Accrued ISCAP interest	6,860	-	6,860
Due from other governments	492,123	-	492,123
Inventories	-	8,139	8,139
Capital assets not being depreciated:			
Land	204,400	-	204,400
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	8,224,559	-	8,224,559
Land improvements	209,251	-	209,251
Machinery and equipment	331,591	80,804	412,395
Net OPEB asset	117,821	3,179	121,000
<b>TOTAL ASSETS</b>	<b>18,990,368</b>	<b>167,278</b>	<b>19,157,646</b>
<b>LIABILITIES</b>			
Accounts payable	205,481	8,732	214,213
Salaries and benefits payable	1,412,960	41,468	1,454,428
ISCAP warrants payable	2,597,000	-	2,597,000
ISCAP accrued interest payable	9,945	-	9,945
ISCAP unamortized premiums payable	44,300	-	44,300
Interest payable	65,151	-	65,151
Deferred revenue:			
Succeeding year property tax	3,783,281	-	3,783,281
Other	49,649	-	49,649
Unearned revenue	-	8,520	8,520
Long-term liabilities:			
Portion due within one year:			
Bonds payable	714,556	-	714,556
Capital lease payable	13,605	-	13,605
Early retirement payable	105,823	-	105,823
Compensated absences payable	115,892	-	115,892
Portion due after one year:			
Bonds payable	3,869,593	-	3,869,593
Capital lease payable	22,065	-	22,065
Early retirement payable	319,933	-	319,933
<b>TOTAL LIABILITIES</b>	<b>13,329,234</b>	<b>58,720</b>	<b>13,387,954</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,349,982	80,804	4,430,786
Restricted for:			
Categorical funding	349,238	-	349,238
Debt service	802,407	-	802,407
Capital projects	408,691	-	408,691
Physical plant and equipment levy	143,244	-	143,244
Other special revenue purposes	353,272	-	353,272
Unrestricted	(745,700)	27,754	(717,946)
<b>TOTAL NET ASSETS</b>	<b>\$ 5,661,134</b>	<b>\$ 108,558</b>	<b>\$ 5,769,692</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total
				Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 5,906,997	533,011	1,361,799	(4,012,187)	-	(4,012,187)
Special	2,076,658	26,812	229,615	(1,820,231)	-	(1,820,231)
Other	1,824,486	294,236	417,949	(1,112,301)	-	(1,112,301)
	<u>9,808,141</u>	<u>854,059</u>	<u>2,009,363</u>	<u>(6,944,719)</u>	-	<u>(6,944,719)</u>
Support services:						
Student	446,639	-	-	(446,639)	-	(446,639)
Instructional staff	329,461	-	-	(329,461)	-	(329,461)
Administration	1,564,417	-	-	(1,564,417)	-	(1,564,417)
Operation and maintenance of plant	1,325,840	-	-	(1,325,840)	-	(1,325,840)
Transportation	584,518	1,481	-	(583,037)	-	(583,037)
	<u>4,250,875</u>	<u>1,481</u>	<u>-</u>	<u>(4,249,394)</u>	-	<u>(4,249,394)</u>
Other expenditures:						
Facilities acquisitions	146,342	-	624	(145,718)	-	(145,718)
Long-term debt interest	184,287	-	-	(184,287)	-	(184,287)
AEA flowthrough	529,695	-	529,695	-	-	-
Depreciation(unallocated)*	402,854	-	-	(402,854)	-	(402,854)
	<u>1,263,178</u>	<u>-</u>	<u>530,319</u>	<u>(732,859)</u>	-	<u>(732,859)</u>
Total governmental activities	<u>15,322,194</u>	<u>855,540</u>	<u>2,539,682</u>	<u>(11,926,972)</u>	-	<u>(11,926,972)</u>
<b>Business Type activities:</b>						
Support services:						
Administration	5,513	-	-	-	(5,513)	(5,513)
Operation and maintenance of plant	8,556	-	-	-	(8,556)	(8,556)
Transportation	3,142	-	-	-	(3,142)	(3,142)
Non-instructional programs:						
Food service operations	651,901	246,014	413,152	-	7,265	7,265
Total business type activities	<u>669,112</u>	<u>246,014</u>	<u>413,152</u>	-	<u>(9,946)</u>	<u>(9,946)</u>
Total primary government	<u>\$ 15,991,306</u>	<u>1,101,554</u>	<u>2,952,834</u>	<u>(11,926,972)</u>	<u>(9,946)</u>	<u>(11,936,918)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 3,293,758	-	3,293,758
Debt service				297,056	-	297,056
Capital outlay				195,535	-	195,535
Income surtax				201,058	-	201,058
Statewide sales and services tax				1,027,163	-	1,027,163
City sales and services tax				103,956	-	103,956
Unrestricted state grants				7,763,731	-	7,763,731
Unrestricted investment earnings				68,136	270	68,406
Other general revenues				182,701	-	182,701
Total general revenues				<u>13,133,094</u>	<u>270</u>	<u>13,133,364</u>
Changes in net assets before transfers				1,206,122	(9,676)	1,196,446
Transfers				(8,000)	8,000	-
Changes in net assets				1,198,122	(1,676)	1,196,446
Net assets beginning of year				4,463,012	110,234	4,573,246
Net assets end of year				<u>\$ 5,661,134</u>	<u>108,558</u>	<u>5,769,692</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Debt Service	Nonmajor Governmental	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 2,635,989	\$ -	\$ -	\$ 2,635,989
Other	1,025,436	796,556	898,611	2,720,603
Receivables:				
Property tax				
Delinquent	57,031	5,851	11,693	74,575
Succeeding year	2,999,598	249,653	534,030	3,783,281
Income surtax	90,436	-	90,436	180,872
Accounts	2,778	-	5,665	8,443
Accrued ISCAP interest	6,860	-	-	6,860
Due from other governments	280,690	-	211,433	492,123
<b>TOTAL ASSETS</b>	<b>\$ 7,098,818</b>	<b>\$ 1,052,060</b>	<b>\$ 1,751,868</b>	<b>\$ 9,902,746</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 158,999	\$ -	\$ 46,482	\$ 205,481
Salaries and benefits payable	1,412,960	-	-	1,412,960
ISCAP warrants payable	2,597,000	-	-	2,597,000
ISCAP accrued interest payable	9,945	-	-	9,945
ISCAP unamortized premiums payable	44,300	-	-	44,300
Deferred revenue:				
Succeeding year property tax	2,999,598	249,653	534,030	3,783,281
Income surtax	90,436	-	90,436	180,872
Other	49,649	-	-	49,649
Total liabilities	<u>7,362,887</u>	<u>249,653</u>	<u>670,948</u>	<u>8,283,488</u>
Fund balances:				
Reserved for:				
Categorical funding	349,238	-	-	349,238
Debt service	-	802,407	-	802,407
Unreserved	(613,307)	-	1,080,920	467,613
Total fund balances	<u>(264,069)</u>	<u>802,407</u>	<u>1,080,920</u>	<u>1,619,258</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,098,818</b>	<b>\$ 1,052,060</b>	<b>\$ 1,751,868</b>	<b>\$ 9,902,746</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds(page 18)</b>	\$	1,619,258
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,969,801
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.		(65,151)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		180,872
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		117,821
Long-term liabilities, including bonds payable, capital lease payable, early retirement payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(5,161,467)</u>
<b>Net assets of governmental activities(page 16)</b>	<b>\$</b>	<b><u><u>5,661,134</u></u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Debt Service	Nonmajor Governmental	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,992,971	\$ 297,056	\$ 1,718,171	\$ 5,008,198
Tuition	375,371	-	-	375,371
Other	426,772	5,743	380,548	813,063
Intermediate sources	-	-	103,956	103,956
State sources	9,373,848	301	602	9,374,751
Federal sources	846,605	-	-	846,605
Total revenues	<u>14,015,567</u>	<u>303,100</u>	<u>2,203,277</u>	<u>16,521,944</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,849,979	-	195,555	6,045,534
Special	2,125,759	-	-	2,125,759
Other	1,533,807	-	307,914	1,841,721
	<u>9,509,545</u>	<u>-</u>	<u>503,469</u>	<u>10,013,014</u>
Support services:				
Student	464,385	-	-	464,385
Instructional staff	334,034	-	-	334,034
Administration	1,376,155	-	217,875	1,594,030
Operation and maintenance of plant	1,293,948	-	50,119	1,344,067
Transportation	523,746	-	122,249	645,995
	<u>3,992,268</u>	<u>-</u>	<u>390,243</u>	<u>4,382,511</u>
Other expenditures:				
Facilities acquisitions	-	-	146,342	146,342
Long-term debt:				
Principal	-	772,414	-	772,414
Interest and fiscal charges	-	199,215	77	199,292
AEA flowthrough	529,695	-	-	529,695
	<u>529,695</u>	<u>971,629</u>	<u>146,419</u>	<u>1,647,743</u>
Total expenditures	<u>14,031,508</u>	<u>971,629</u>	<u>1,040,131</u>	<u>16,043,268</u>
Excess(deficiency) of revenues over(under) expenditures	(15,941)	(668,529)	1,163,146	478,676
Other financing sources(uses):				
Transfers in	-	707,334	117,828	825,162
Transfers out	(15,449)	-	(809,713)	(825,162)
Total other financing sources(uses)	<u>(15,449)</u>	<u>707,334</u>	<u>(691,885)</u>	<u>-</u>
Net change in fund balances	(31,390)	38,805	471,261	478,676
Fund balances beginning of year	<u>(232,679)</u>	<u>763,602</u>	<u>609,659</u>	<u>1,140,582</u>
Fund balances end of year	<u>\$ (264,069)</u>	<u>\$ 802,407</u>	<u>\$ 1,080,920</u>	<u>\$ 1,619,258</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

**Net change in fund balances - total governmental funds(page 20)** \$ 478,676

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

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

Capital outlays	\$ 146,821	
Depreciation expense	(469,477)	
Loss on disposal of capital assets	<u>(6,399)</u>	(329,055)

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

772,414

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.

15,005

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

6,372

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.

Early retirement	138,582	
Compensated absences	(1,693)	
Other postemployment benefits	<u>117,821</u>	<u>254,710</u>

**Changes in net assets of governmental activities(page 17)**

\$ 1,198,122

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition
<u>ASSETS</u>	
Current assets:	
Cash and pooled investments	\$ 75,095
Accounts receivable	61
Inventories	8,139
Total current assets	83,295
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	80,804
Net OPEB liability	3,179
Total non-current assets	83,983
TOTAL ASSETS	167,278
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	8,732
Salaries and benefits payable	41,468
Unearned revenue	8,520
TOTAL LIABILITIES	58,720
<u>NET ASSETS</u>	
Invested in capital assets	80,804
Unrestricted	27,754
Total net assets	\$ 108,558

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 246,014
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	2,307
Supplies	3,042
Depreciation	54
Other	110
	5,513
Operation and maintenance of plant:	
Services	8,556
Transportation:	
Services	1,154
Supplies	1,988
	3,142
Total support services	17,211
Non-instructional programs:	
Food service operations:	
Salaries	240,706
Benefits	64,549
Services	3,555
Supplies	333,844
Depreciation	9,247
Total non-instructional programs	651,901
TOTAL OPERATING EXPENSES	669,112
OPERATING LOSS	(423,098)
NON-OPERATING REVENUES:	
State sources	8,036
Federal sources	405,116
Interest on investments	270
TOTAL NON-OPERATING REVENUES	413,422
Change in net assets before capital contributions	(9,676)
Capital contributions	8,000
Change in net assets	(1,676)
Net assets beginning of year	110,234
Net assets end of year	\$ 108,558

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 251,059
Cash received from miscellaneous sources	3,507
Cash payments to employees for services	(276,680)
Cash payments to suppliers for goods or services	(344,991)
Net cash used in operating activities	<u>(367,105)</u>
Cash flows from non-capital financing activities:	
State grants received	8,036
Federal grants received	379,190
Net cash provided by non-capital financing activities	<u>387,226</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(9,925)
Net cash used in capital and related financing activities	<u>(9,925)</u>
Cash flows from investing activities:	
Interest on investments	270
Net cash provided by investing activities	<u>270</u>
Net increase in cash and cash equivalents	10,466
Cash and cash equivalents at beginning of year	<u>64,629</u>
Cash and cash equivalents at end of year	<u>\$ 75,095</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (423,098)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	25,926
Depreciation	9,301
Decrease in inventories	1,848
Decrease in accounts receivable	32
Decrease in accounts payable	(18,209)
Increase in salaries and benefits payable	31,754
Increase in unearned revenue	8,520
Decrease in other postemployment benefits	(3,179)
Net cash used in operating activities	\$ (367,105)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:	
Cash and investments	\$ 75,095

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$25,926.

During the year ended June 30, 2009, the District received capital contributions from the Physical Plant and Equipment Levy Fund valued at \$8,000.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 353,409
Total assets	<u>353,409</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 353,409</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 9,889
Interest income	3,643
Total additions	13,532
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	8,530
Total deductions	8,530
Change in net assets	5,002
Net assets beginning of year	348,407
Net assets end of year	\$ 353,409

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009

**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 Government Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Centerville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Centerville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District also reports the following proprietary fund:

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 the following fiduciary funds:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as

expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The District maintains its financial records on the accrual basis.

#### D. Assets, Liabilities and Fund Equity

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

Property Taxes - Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded 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 January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	2,500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2009, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2009.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent federal grant proceeds, succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The

compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

Long-term Obligations - 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.

Net assets restricted through enabling legislation consists of \$802,407 for debt service, \$349,238 for categorical funding, \$408,691 for capital projects, \$143,244 for physical plant and equipment levy and \$353,272 for other special revenue purposes (student activity and support trust funds).

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budgeting and Budgetary Control - The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,780,232</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

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

**Note 3. Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Nonmajor Capital Projects: Statewide Sales and Services Tax	\$ 584,666
Debt Service	Nonmajor Capital Projects: City Sales and Services Tax	86,301
Debt Service	Nonmajor Special Revenue: Physical Plant and Equipment Levy	20,918
Debt Service	General	15,449
Nonmajor Special Revenue: Physical Plant and Equipment Levy	Nonmajor Capital Projects: Statewide Sales and Services Tax	<u>117,828</u>
Total		<u>\$ 825,162</u>

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

The Capital Projects is transferring money to finance the revenue bonds payments made from the Debt Service Fund.

The Nonmajor Special Revenue Fund, Physical Plant and Equipment Levy Fund is transferring money to finance the contract payment made from the Debt Service Fund.

The General Fund is transferring money to finance the capital lease debt payments made from the Debt Service Fund.

The Nonmajor Capital Projects, City Sales and Services Tax Fund is transferring money to finance new equipment purchases made from the Nonmajor Special Revenue Fund, Physical Plant and Equipment Levy Fund.

**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:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/09	1/21/10	\$ 716,064	\$ 6,623	\$ 707,000	\$ 9,298
2009-10A	6/25/09	6/23/10	1,919,925	237	1,890,000	647
Total			<u>\$ 2,635,989</u>	<u>\$ 6,860</u>	<u>\$ 2,597,000</u>	<u>\$ 9,945</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2009.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	0.542%	0.902%

**Note 5. Capital Assets**

A summary of changes in property and equipment comprising capital assets is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	-	-	204,400
Total capital assets not being depreciated	204,400	-	-	204,400
Capital assets being depreciated:				
Buildings	14,550,713	-	-	14,550,713
Land improvements	454,021	-	-	454,021
Machinery and equipment	2,630,179	146,821	269,119	2,507,881
Total capital assets being depreciated	17,634,913	146,821	269,119	17,512,615
Less accumulated depreciation for:				
Buildings	5,946,001	380,153	-	6,326,154
Land improvements	222,069	22,701	-	244,770
Machinery and equipment	2,372,387	66,623	262,720	2,176,290
Total accumulated depreciation	8,540,457	469,477	262,720	8,747,214
Total capital assets being depreciated, net	9,094,456	(322,656)	6,399	8,765,401
Governmental activities capital assets, net	\$ 9,298,856	(322,656)	6,399	8,969,801
Business type activities:				
Machinery and equipment	\$ 250,374	17,925	11,211	257,088
Less accumulated depreciation	178,194	8,088	9,998	176,284
Business type activities capital assets, net	\$ 72,180	9,837	1,213	80,804

Depreciation expense was charged by the District as follows:

Governmental activities:	
Regular instruction	\$ 232
Transportation	66,391
	<u>66,623</u>
Unallocated depreciation	402,854
	<u>402,854</u>
Total governmental activities depreciation expense	<u>\$ 469,477</u>
Business type activities:	
Food services	\$ 9,301*
	<u>9,301*</u>

\* includes loss on disposal of assets \$1,213.

**Note 6. Long-Term Debt**

A summary of changes in long-term debt for governmental activities for the year ended June 30, 2009 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,035,000	\$ -	\$ 200,000	\$ 1,835,000	\$ 230,000
Revenue Bonds	3,288,781	-	539,632	2,749,149	484,556
Contract	20,000	-	20,000	-	-
Capital Leases	48,452	-	12,782	35,670	13,605
Early Retirement	564,338	4,609	143,191	425,756	105,823
Compensated Absences	114,199	1,693	-	115,892	115,892
Total	<u>\$ 6,070,770</u>	<u>\$ 6,302</u>	<u>\$ 915,605</u>	<u>\$ 5,161,467</u>	<u>\$ 949,876</u>

Bonded debt

On July 1, 2004 the District issued general obligation bonds of \$4,000,000 for capital facility construction. The General Obligation Bonds will be paid with property taxes collected in the Debt Service Fund. Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Rate	Principal	Interest	Total
2010	5.00 %	\$ 230,000	\$ 69,653	\$ 299,653
2011	5.00	235,000	60,452	295,452
2012	5.00	250,000	51,053	301,053
2013	5.00	265,000	41,052	306,052
2014	5.00	275,000	31,645	306,645
2015-2016	5.00	580,000	32,670	612,670
Total		<u>\$ 1,835,000</u>	<u>\$ 286,525</u>	<u>\$ 2,121,525</u>

On December 10, 2004, the District issued statewide sales and service tax revenue bonds of \$2,000,000 for capital facility construction. On July 1, 2006, the District issued statewide sales and service tax revenue bonds of \$2,370,000 for capital facility construction. The revenue bonds will be paid with statewide and city sales and services taxes collected in the Capital Projects Fund. Details of the District's June 30, 2009 statewide and city sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 10, 2004			Bond Issue of July 1, 2006		
	Rate	Principal	Interest	Rate	Principal	Interest
2010	4.22 %	\$ 254,556	\$ 35,376	4.25 %	\$ 230,000	\$ 78,552
2011	4.22	265,411	24,853	4.25-4.30	235,000	68,776
2012	4.22	276,731	13,534	4.30-4.40	245,000	58,592
2013	4.22	112,451	2,373	4.40-4.45	335,000	47,652
2014	-	-	-	4.45-4.50	495,000	30,998
2015	-	-	-	4.50	300,000	6,750
Total		<u>\$ 909,149</u>	<u>\$ 76,136</u>		<u>\$ 1,840,000</u>	<u>\$ 291,320</u>
Year Ending June 30,	Total					
	Principal	Interest	Total			
2010	\$ 484,556	\$ 113,928	\$ 598,484			
2011	500,411	93,629	594,040			
2012	521,731	72,126	593,857			
2013	447,451	50,025	497,476			
2014	495,000	30,998	525,998			
2015	300,000	6,750	306,750			
Total	<u>\$ 2,749,149</u>	<u>\$ 367,456</u>	<u>\$ 3,116,605</u>			

The District has pledged future local option sales and services tax revenues to repay the \$4,370,000. The bonds are payable solely from the proceeds of the statewide and city sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2015. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$3,116,605. For the current year \$539,632 in principal and \$96,378 in interest was paid on the bonds and total statewide and city sales and services tax revenues were \$1,131,119.

The resolution providing for the issuance of the statewide and city 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 a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available on the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide and city 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.

#### Capital Lease

During the year ended June 30, 2007, the District entered into an agreement to lease office equipment for \$65,250. The capital loan notes are payable from the General Fund. Details of the District's June 30, 2009 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Lease of January 22, 2007				
	Rate	Principal	Interest	Total	
2010	6.25 %	\$ 13,605	\$ 1,844	\$ 15,449	
2011	6.25	14,480	969	15,449	
2012	6.25	7,585	139	7,724	
Total		\$ 35,670	\$ 2,952	\$ 38,622	

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is 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 during the year ended June 30, 2009, totaled \$143,191. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

#### **Note 7. Other Postemployment Benefits(OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 193 active and 36 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 177,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	177,000
Contributions made	(298,000)
Decrease in net OPEB obligation	(121,000)
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ (121,000)</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$298,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 177,000	168.36%	(\$ 121,000)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$2,126,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,126,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,002,429, and the ratio of the UAAL to covered payroll was 26.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities

from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$329 per month for retirees and spouses less than 65. The salary increase rate was assumed to 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The explicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on a closed basis over 10 years.

**Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$615,232, \$563,955 and \$527,411 respectively, equal to the required contributions for each year.

**Note 9. 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

**Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$529,695 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. 28E Agreements**

The District continues to participate in a Chapter 28E agreement with the City of Centerville. In accordance with the agreement, the City of Centerville will contribute 20% of city sales and services tax to the Centerville School District. This will assist the District in financing the repayments of the revenue bonds that were issued for the construction of a new gymnasium at Howar Junior High School. This agreement is in place for 10 years and will expire June 30, 2015.

The District continues to participate in a Chapter 28E agreement with the City of Centerville and Appanoose All-Play, Inc. This agreement is a joint agreement for the construction, maintenance and operation of Morgan E. Cline Family Sports Complex. The Centerville School District will have priority use of the competitive soccer field during soccer seasons. This agreement is in place indefinitely.

The District continues to participate in a Chapter 28E agreement with the City of Centerville. In accordance with the agreement, the City of Centerville will share a building purchased by the Centerville School District. The Centerville School District uses the north half of the building as an Alternative High

School. The City of Centerville is responsible for the south half of the building. This agreement is in place indefinitely.

**Note 12. Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 9,548
At-risk dropout prevention	35,451
Four-year-old preschool	183,363
Beginning teacher mentoring and induction program	10,170
Salary improvement program	2,223
Professional development	5,996
Phase II	46
Early intervention	23,084
Educator quality, model core curriculum	25,941
Educator quality, professional development	46,299
Educator quality, market factor	7,117
Total reserved for cateforical funding	<u>\$ 349,238</u>

**Note 13. Deficit Fund Balances**

The District had a deficit unreserved fund balance in the General Fund of \$613,307.

## **Required Supplementary Information**

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
<b>Revenues:</b>						
Local sources	\$ 6,196,632	\$ 246,284	\$ 6,442,916	\$ 5,717,205	\$ 5,717,205	\$ 725,711
Intermediate sources	103,956	-	103,956	400,000	400,000	(296,044)
State sources	9,374,751	8,036	9,382,787	10,095,603	10,095,603	(712,816)
Federal sources	846,605	405,116	1,251,721	1,199,859	1,199,859	51,862
<b>Total revenues</b>	<b>16,521,944</b>	<b>659,436</b>	<b>17,181,380</b>	<b>17,412,667</b>	<b>17,412,667</b>	<b>(231,287)</b>
<b>Expenditures/Expenses:</b>						
Instruction	10,013,014	-	10,013,014	9,900,500	10,100,000	86,986
Support services	4,382,511	17,211	4,399,722	4,517,000	4,675,000	275,278
Non-instructional programs	-	651,901	651,901	656,500	680,000	28,099
Other expenditures	1,647,743	-	1,647,743	1,479,114	1,700,000	52,257
<b>Total expenditures/expenses</b>	<b>16,043,268</b>	<b>669,112</b>	<b>16,712,380</b>	<b>16,553,114</b>	<b>17,155,000</b>	<b>442,620</b>
Excess(deficiency) of revenues over(under) expenditures/expenses	478,676	(9,676)	469,000	859,553	257,667	211,333
Other financing sources, net	-	8,000	8,000	-	-	8,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	478,676	(1,676)	477,000	859,553	257,667	219,333
Balance beginning of year	1,140,582	110,234	1,250,816	1,036,909	1,036,909	213,907
Balance end of year	<u>\$ 1,619,258</u>	<u>\$ 108,558</u>	<u>\$ 1,727,816</u>	<u>\$ 1,896,462</u>	<u>\$ 1,294,576</u>	<u>\$ 433,240</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$601,886.

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0%	\$ 8,002,429	26.6%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Other Supplementary Information**

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds
<b>ASSETS</b>					
Cash and pooled investments	\$ 258,307	\$ 238,417	\$ 89,756	\$ 115,318	\$ 701,798
Receivables:					
Property tax:					
Current year delinquent	7,842	-	3,851	-	11,693
Succeeding year	330,000	-	204,030	-	534,030
Income surtax	-	-	90,436	-	90,436
Accounts	-	4,790	-	-	4,790
Due from other governments	-	430	-	-	430
<b>TOTAL ASSETS</b>	<b>\$ 596,149</b>	<b>\$ 243,637</b>	<b>\$ 388,073</b>	<b>\$ 115,318</b>	<b>\$ 1,343,177</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 5,683	\$ 40,799	\$ -	\$ 46,482
Deferred revenue:					
Succeeding year property tax	330,000	-	204,030	-	534,030
Income surtax	-	-	90,436	-	90,436
Total liabilities	<u>330,000</u>	<u>5,683</u>	<u>335,265</u>	<u>-</u>	<u>670,948</u>
Unreserved fund balances	<u>266,149</u>	<u>237,954</u>	<u>52,808</u>	<u>115,318</u>	<u>672,229</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 596,149</b>	<b>\$ 243,637</b>	<b>\$ 388,073</b>	<b>\$ 115,318</b>	<b>\$ 1,343,177</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 1

<u>Statewide Sales and Services Tax</u>	<u>City Sales and Services Tax</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 196,809	\$ 4	\$ 196,813	\$ 898,611
-	-	-	11,693
-	-	-	534,030
-	-	-	90,436
-	875	875	5,665
<u>187,103</u>	<u>23,900</u>	<u>211,003</u>	<u>211,433</u>
<u>\$ 383,912</u>	<u>\$ 24,779</u>	<u>\$ 408,691</u>	<u>\$ 1,751,868</u>
\$ -	\$ -	\$ -	\$ 46,482
-	-	-	534,030
-	-	-	90,436
-	-	-	<u>670,948</u>
<u>383,912</u>	<u>24,779</u>	<u>408,691</u>	<u>1,080,920</u>
<u>\$ 383,912</u>	<u>\$ 49,558</u>	<u>\$ 408,691</u>	<u>\$ 1,751,868</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Support Trust	Total Special Revenue Funds
REVENUES:					
Local sources:					
Local tax	\$ 398,130	\$ -	\$ 292,878	\$ -	\$ 691,008
Other	26,499	342,233	3,841	6,379	378,952
Intermediate sources	-	-	-	-	-
State sources	404	-	198	-	602
<b>TOTAL REVENUES</b>	<b>425,033</b>	<b>342,233</b>	<b>296,917</b>	<b>6,379</b>	<b>1,070,562</b>
EXPENDITURES:					
Current:					
Instruction					
Regular	138,619	-	28,478	15,658	182,755
Other	-	307,914	-	-	307,914
Support services:					
Administration	100,118	-	117,757	-	217,875
Operation and maintenance of plant	50,119	-	-	-	50,119
Transportation	19,706	106	102,437	-	122,249
Other expenditures:					
Facilities acquisition	-	-	127,992	-	127,992
Long-term debt:					
Interest and fiscal charges	-	-	77	-	77
<b>TOTAL EXPENDITURES</b>	<b>308,562</b>	<b>308,020</b>	<b>376,741</b>	<b>15,658</b>	<b>1,008,981</b>
Excess(deficiency) of revenues over(under) expenditures	116,471	34,213	(79,824)	(9,279)	61,581
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	117,828	-	117,828
Transfer out	-	-	(20,918)	-	(20,918)
Total other financing sources(uses)	-	-	96,910	-	96,910
Net change in fund balances	116,471	34,213	17,086	(9,279)	158,491
FUND BALANCES BEGINNING OF YEAR	149,678	203,741	35,722	124,597	513,738
FUND BALANCES END OF YEAR	\$ 266,149	\$ 237,954	\$ 52,808	\$ 115,318	\$ 672,229

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

<u>Statewide Sales and Services Tax</u>	<u>City Sales and Services Tax</u>	<u>Total Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,027,163	\$ -	\$ 1,027,163	\$ 1,718,171
579	1,017	1,596	380,548
-	103,956	103,956	103,956
-	-	-	602
<u>1,027,742</u>	<u>104,973</u>	<u>1,132,715</u>	<u>2,203,277</u>
12,800	-	12,800	195,555
-	-	-	307,914
-	-	-	217,875
-	-	-	50,119
-	-	-	122,249
14,593	3,757	18,350	146,342
-	-	-	77
<u>27,393</u>	<u>3,757</u>	<u>31,150</u>	<u>1,040,131</u>
1,000,349	101,216	1,101,565	1,163,146
-	-	-	117,828
<u>(702,494)</u>	<u>(86,301)</u>	<u>(788,795)</u>	<u>(809,713)</u>
<u>(702,494)</u>	<u>(86,301)</u>	<u>(788,795)</u>	<u>(691,885)</u>
297,855	14,915	312,770	471,261
86,057	9,864	95,921	609,659
<u>\$ 383,912</u>	<u>\$ 24,779</u>	<u>\$ 408,691</u>	<u>\$ 1,080,920</u>

## CENTERVILLE COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ATHLETICS	\$ 15,374	\$ -	\$ 3,535	\$ 11,839
HIGH SCHOOL GENERAL ACCOUNT	5,498	3,488	4,987	3,999
THESPIAN	4,834	6,513	6,217	5,130
SPEECH	474	1,815	1,929	360
VOCAL MUSIC CONCERT ADMISSIONS	3,440	2,977	275	6,142
VOCAL MUSIC	764	-	235	529
K-3 VOCAL MUSIC	91	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	1,408	2,201	3,340	269
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	266	5,150	5,416	-
JUNIOR HIGH INSTRUMENTAL MUSIC	128	940	668	400
LAKEVIEW INSTRUMENTAL MUSIC	998	1,793	2,223	568
HIGH SCHOOL JAZZ BANK	821	32	775	78
HIGH SCHOOL INSTRUMENTAL MUSIC	105	1,187	520	772
JUNIOR HIGH ATHLETICS	21,275	16,121	21,072	16,324
BOYS CROSS COUNTRY	660	873	768	765
GIRLS CROSS COUNTRY	630	518	418	730
BOYS BASKET BALL	6,361	8,452	11,778	3,035
FOOTBALL	15,364	43,361	38,996	19,729
BOYS SOCCER	1,716	2,401	3,052	1,065
BASEBALL	5,512	9,118	9,477	5,153
BOYS TRACK	1,321	1,014	2,185	150
BOYS TENNIS	500	78	78	500
BOYS GOLF	945	465	485	925
WRESTLING	3,817	8,180	9,427	2,570
GIRLS BASKETBALL	5,013	6,483	8,996	2,500
VOLLEYBALL	6,305	7,384	3,472	10,217
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	596
GIRLS SOCCER	3,002	998	2,864	1,136
SOFTBALL	6,619	9,115	10,945	4,789
GIRLS TRACK	870	2,206	1,749	1,327
GIRLS TENNIS	665	397	397	665
GIRLS GOLF	800	-	-	800
ACTIVITY TICKET	8,838	22,580	2,114	29,304
K-3 GENERAL ACCOUNT	616	500	512	604
CENTRAL ELEMENTARY ACTIVITY	5,018	544	391	5,171
CENTRAL POP	869	493	407	955
CINCINNATI ACTIVITY	1,208	234	-	1,442
CINCINNATI POP	311	252	300	263
GARFIELD ACTIVITY	1,275	327	280	1,322
GARFIELD POP	896	15	-	911
LINCOLN ACTIVITY	899	190	89	1,000
LINCOLN POP	150	-	-	150

## CENTERVILLE COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2009

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
MYSTIC ACTIVITY	\$ 2,075	\$ 182	\$ 402	\$ 1,855
LAKEVIEW ACTIVITY	5,272	15,518	12,749	8,041
LAKEVIEW POP	1,362	372	274	1,460
JUNIOR HIGH ACTIVITY	20,116	26,275	22,848	23,543
AMERI-CORPS	725	-	-	725
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	545	-	-	545
PRESCHOOL BUILDING ACTIVITY	-	286	135	151
HIGH SCHOOL BIG RED DINER	406	1,432	1,442	396
HIGH SCHOOL YEARBOOK	1,089	6,974	3,960	4,103
HIGH SCHOOL GRADUATION	697	3,066	3,066	697
HIGH SCHOOL SCIENCE CLUB	89	-	-	89
FCCLA	907	4,833	5,740	-
FFA	1,488	27,428	20,487	8,429
NATIONAL HONOR SOCIETY	692	963	1,239	416
HIGH SCHOOL CHEERLEADERS	291	2,227	1,653	865
STUDENT COUNCIL	13,854	44,072	38,126	19,800
SOCIAL SCIENCE	289	-	-	289
OFFICE EDUCATION	130	-	-	130
STUDENT IOWEGIAN	27	-	-	27
SPANISH CLUB	959	-	-	959
TRAP SHOOTING	-	2,374	1,881	493
WEIGHT ROOM	1,861	6,003	6,260	1,604
MAT CLUB - WRESTLING	150	-	-	150
CLASS OF 2007	1,128	-	660	468
CLASS OF 2008	976	-	453	523
CLASS OF 2009	2,047	-	49	1,998
CLASS OF 2010	-	3,890	1,869	2,021
ATHLETIC BOOSTER CLUB	9,914	26,026	22,438	13,502
LICENSES AND PERMITS	-	256	256	-
SCHOOL PROMOTIONS	400	-	-	400
INTEREST	-	1,661	1,661	-
TOTALS	\$ 203,741	\$ 342,233	\$ 308,020	\$ 237,954

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS

YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
BESSIE ADAMS MEMORIAL	\$ 24	\$ -	\$ 24	\$ -
MARK TRAXEL MEMORIAL	2,095	19	-	2,114
KIRKPATRICK MEMORIAL	1,256	11	-	1,267
RAY MILLER MEMORIAL	1,703	16	-	1,719
ELGIN MEMORIAL	8,479	76	-	8,555
LORETTA KAUZLARICH MEMORIAL	1,597	6	1,603	-
RUGGLES MATH AND SCIENCE CETER	104,132	846	11,462	93,516
CLYDE AND VIRGINIA CARNEY MEMORIAL	5,311	5,405	2,569	8,147
TOTALS	<u>\$ 124,597</u>	<u>\$ 6,379</u>	<u>\$ 15,658</u>	<u>\$ 115,318</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## CENTERVILLE COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS

YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 2,569	\$ 21	\$ 250	\$ 2,340
ORVILLE BUTLER	871	308	-	1,179
CLASS OF 1949	23,066	1,206	500	23,772
DON WHISLER MEMORIAL SCHOLARSHIP	5,314	48	-	5,362
KENNETH ELGIN SCHOLARSHIP	136,185	1,218	2,000	135,403
MILTON STOUT SCHOLARSHIP	784	16	800	-
FCCLA SCHOLARSHIP	985	10	-	995
ROY LIVENGOOD MEMORIAL SCHOLARSHIP	655	4	300	359
ROBERT HARL MEMORIAL SCHOLARSHIP	120	1	-	121
HARRY L DUKES MEMORIAL	376	4	-	380
CLASS OF 1958	-	1,502	-	1,502
JAMES MCDONALD MEMORIAL SCHOLARSHIP	-	200	-	200
GOWER-VOXMAN SCHOLARSHIP	2,464	22	-	2,486
DR. F.B. LEFFERT SCHOLARSHIP	28,952	256	800	28,408
VIDAS SCHOLARSHIP	1,532	13	-	1,545
COLLEEN COOK SCHOLARSHIP	75,834	677	1,214	75,297
GERALD FOSTER MEORIAL	21,879	196	166	21,909
DANA MIRITZ SCHOLARSHIP	19,337	1,173	500	20,010
CLYDE AND VIRGINIA CARNEY MEMORIAL	27,484	6,657	2,000	32,141
TOTALS	<u>\$ 348,407</u>	<u>\$ 13,532</u>	<u>\$ 8,530</u>	<u>\$ 353,409</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 5,008,198	5,028,774	4,782,673	4,707,887	4,210,359
Tuition	375,371	387,318	388,623	431,633	255,975
Other	813,063	819,125	1,004,363	739,564	942,469
Intermediate sources	103,956	-	-	-	-
State sources	9,374,751	8,764,929	8,301,430	7,929,782	7,828,394
Federal sources	846,605	745,151	859,871	1,032,745	949,831
<b>Total</b>	<b>\$ 16,521,944</b>	<b>15,745,297</b>	<b>15,336,960</b>	<b>14,841,611</b>	<b>14,187,028</b>
Expenditures:					
Instruction:					
Regular	\$ 6,045,534	5,468,317	5,650,425	5,489,650	5,486,876
Special	2,125,759	2,155,219	2,595,201	2,473,743	2,578,875
Other	1,841,721	1,873,705	860,778	890,882	946,480
Support services:					
Student	464,385	379,594	366,232	379,001	473,602
Instructional staff	334,034	325,223	269,539	419,460	368,937
Administration	1,594,030	1,493,600	1,497,455	1,283,478	1,035,581
Operation and maintenance of plant	1,344,067	1,460,401	1,492,753	1,316,773	1,286,968
Transportation	645,995	580,598	582,836	546,251	642,588
Non-instructional programs	-	-	-	13,834	25,978
Other expenditures:					
Facilities acquisitions	146,342	858,845	2,336,795	1,034,504	1,975,031
Long-term debt:					
Principal	772,414	699,283	596,595	418,668	222,000
Interest and other charges	199,292	244,297	250,448	229,088	155,640
AEA flow-through	529,695	507,613	492,942	465,155	464,456
<b>Total</b>	<b>\$ 16,043,268</b>	<b>16,046,695</b>	<b>16,991,999</b>	<b>14,960,487</b>	<b>15,663,012</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 6

Modified Accrual Basis				
Years Ended June 30,				
2004	2003	2002	2001	2000
3,548,519	3,595,752	3,363,475	3,171,179	3,139,189
318,551	226,866	276,429	317,633	284,159
797,036	773,121	766,670	735,649	639,995
7,731,425	7,740,582	8,783,285	7,672,577	7,239,227
942,686	688,282	598,159	707,561	674,277
<u>13,338,217</u>	<u>13,024,603</u>	<u>13,788,018</u>	<u>12,604,599</u>	<u>11,976,847</u>
5,569,309	5,665,289	5,255,466	4,988,026	4,692,273
2,585,388	2,802,256	2,528,203	2,446,800	2,380,963
923,240	226,352	938,309	946,900	900,124
455,113	364,208	379,837	356,230	375,470
258,357	287,205	289,498	324,281	311,970
1,052,848	925,776	844,327	725,310	747,368
1,235,016	1,211,234	1,156,362	1,648,543	1,157,474
561,021	608,447	499,231	533,038	499,823
34,413	42,385	21,341	11,933	43,985
584,523	931,992	63,087	100,885	118,585
189,000	191,000	333,000	180,811	170,002
165,683	177,989	192,827	198,282	204,962
472,458	491,993	494,990	497,175	478,494
<u>14,086,369</u>	<u>13,926,126</u>	<u>12,996,478</u>	<u>12,958,214</u>	<u>12,081,493</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 91,686
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	<u>313,430</u>
			<u>405,116</u>
 TEAM NUTRITION GRANT	 10.574	 FY 09	 <u>34</u>
 DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1071-G	<u>341,047</u>
 SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	 84.186	 FY 09	 <u>9,215</u>
 IMPROVING TEACHER QUALITY STATE GRANTS	 84.367	 FY 09	 <u>103,645</u>
 GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	 84.369	 FY 09	 <u>9,718</u>
 ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	 84.394	 FY 09	 <u>128,016</u>
 GREAT PRAIRIE AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 09	<u>24,391</u>
 SPECIAL EDUCATION - IDEA CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	83,383
SPECIAL EDUCATION - GRANTS TO STATES (I STAR)	84.027	FY 09	3,000
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	<u>45,555</u>
			<u>131,938</u>
 ENHANCING EDUCATION THROUGH TECHNOLOGY(E2T2)	 84.318	 FY 09	 <u>300</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED): DEPARTMENT OF DEFENSE: APPANOOSE COUNTY: FLOOD CONTROL PROJECTS	12.106	FY 09	<u>624</u>
TOTAL			<u>\$ 1,154,044</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

#### 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, 2009 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 Centerville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Centerville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

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

**Certified Public Accountants**

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Centerville Community School District

Compliance

We have audited the compliance of Centerville Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 Centerville Community School District's management. Our responsibility is to express an opinion on Centerville Community School District's compliance based on our audit.

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

In our opinion, Centerville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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, as discussed below, we indentified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompany Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

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. We considered the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weaknesses.

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 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

CENTERVILLE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - Clustered Programs:
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Centerville Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition and Student Activity Funds.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

II-B-09 Cell Phone Policy - We noted during our audit that the District pays for district owned cell phones. In addition, we noted that the District does not have board policy in place for the district owned cell phones.

Recommendation - The District should adopt a board policy in regard to district owned cell phones. The policy should identify who has district cell phones and include an additional review of usage to ensure cell phones are not being abused.

Response - The board has adopted a board policy regarding the use of and review of the use of district owned cell phones.

Conclusion - Response accepted.

II-C-09 Timely Deposit Gate Admissions - We noted during our audit that deposits for five gate admission events for the Student Activity Fund from June 17 to June 25, 2009 were posted as accounts receivables and were deposited in July 2009.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - The district will modify its practices to ensure that receipts are deposited when received.

Conclusion - Response accepted.

II-D-09 Check Payments to Officials - We noted during our audit that the District wrote check payments to officials. In reviewing the checks, we noted one payment to an official with the payee crossed out and changed, and one payment to an official that was endorsed over to another official who officiated the event.

Recommendation - The District should review procedures in place and make necessary changes to ensure that official payments are not altered. The District should only pay an official when there is a valid contract in place. In the event of an official canceling, there would need to be a new contract issued and payment should be made subsequent to the event. In no instance should the check be altered.

Response - The district will only pay officials when contracts are in place and will work to ensure checks are not altered. This might happen when the checks are no longer under the possession or control of the school district.

Conclusion - Response accepted.

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

#### INSTANCES OF NON-COMPLIANCE:

No matters were reported.

#### SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2009  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition Fund.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks to purchase gift cards and certificates. We also noted purchasing of pizza for coaches. These disbursements do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to refrain from purchase of gift cards, certificates and pizza for coaches.

Response - The district will not purchase gift cards and certificates. Food purchases will meet the public purpose.

Conclusion - Response accepted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - Business transactions between the District and District officials are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Kaster, Transportation Employee Owner of Tim's Mufflers	Battery and muffler	\$148
Tim Kaster, Transportation Employee Father owns Main Street Distributing	Supplies and repairs	\$3,085
Holly Hutton, Food Service Director Spouse owns CAH Painting and Construction	Purchased services	\$375
Tatum Marcussen, Art Teacher Spouse did work for the District	Driving services and frame	\$160

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

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father of Tim Kaster, spouse of Holly Hutton and spouse of Tatum Marcussen do not appear to represent a conflict of interest.

- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Revenues:			
Statewide sales and services tax revenue	\$ 1,027,163		
Interest on investments	579		
			<u>1,027,742</u>
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$ 130,628		
Other improvements	14,593		
Debt service for school infrastructure:			
Revenue debt	498,609		
			<u>643,830</u>
Ending balance		\$	<u>383,912</u>

- IV-L-09 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District received target donations and picture commission

monies, which should be recorded in the General Fund. In addition, inactive accounts need to be reviewed and closed.

Recommendation - The District should record target donations and picture commissions in the General Fund. It would appear that these moneys are administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. Inactive accounts need to be reviewed for propriety and closed.

Response - The district has started depositing the picture commission funds and donations intended for general fund purchases into the general fund. Inactive accounts have been reviewed.

Conclusion - Response accepted.

IV-M-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The district is working with the banks to ensure the district obtains both front and back images of all cancelled checks.

Conclusion - Response accepted.

IV-N-09 Official Contracts - We noted during the audit that the Board President was not signing the athletic official contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The official contracts will be signed by the Board President.

Conclusion - Response accepted.

IV-O-09 Financial Condition - The District had a deficit unreserved fund balance in the General Fund of \$613,307 at June 30, 2009. The District had deficit unrestricted net assets in the Governmental Activities of \$745,700 at June 30, 2009.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits accounts.

Response - The district has been levying for cash reserve to alleviate this issue. State across the board budget reductions has been the major contributor to this issue. The district has made mid-year budget freezes and implemented other cost saving steps to help with the decreased revenue due to across the board reductions.

Conclusion - Response accepted.