

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Carol Engelken	President	2011
Scott Millikin	Vice President	2011
Mark Boies	Board Member	2009
Tammy Carolan	Board Member	2009
Dan Jones	Board Member	2011
Board of Education (After September 2009 Election)		
Carol Engelken	President	2011
Scott Milliken	Vice President	2011
Mark Boies	Board Member	2013
Tammy Carolan	Board Member	2013
Dan Jones	Board Member	2011
School Officials		
Alan Marshall	Superintendent	2010
Krist Bruce	District Secretary/ Treasurer	2010
Gruhn Law Firm	Attorney	2010

Center Point - Urbana Community School District

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Center Point-Urbana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Center Point-Urbana Community School District, Center Point, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

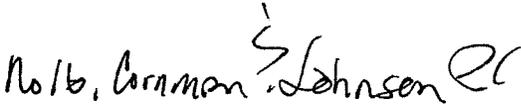
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2011 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ending June 30, 2009 and another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ending June 30, 2005 (which are not presented herein) and unqualified opinions were expressed on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Center Point-Urbana 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,162,718 in fiscal 2009 to \$11,751,798 in fiscal 2010, while General Fund expenditures increased from \$11,096,802 in fiscal 2009 to \$11,237,331 in fiscal 2010. This allowed the District's General Fund balance to increase from a deficit \$94,069 in fiscal 2009 to a positive \$420,398 in fiscal 2010, a 546.91% increase over the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) was 0.22% at the end of fiscal 2010. The State School Budget Review Committee recommends of a solvency ratio between 5% and 10%.

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 Center Point-Urbana 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 Center Point-Urbana 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 Center Point-Urbana Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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 Expenditures of Federal Awards provide 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-1
Center Point-Urbana Community School District Annual Financial Report

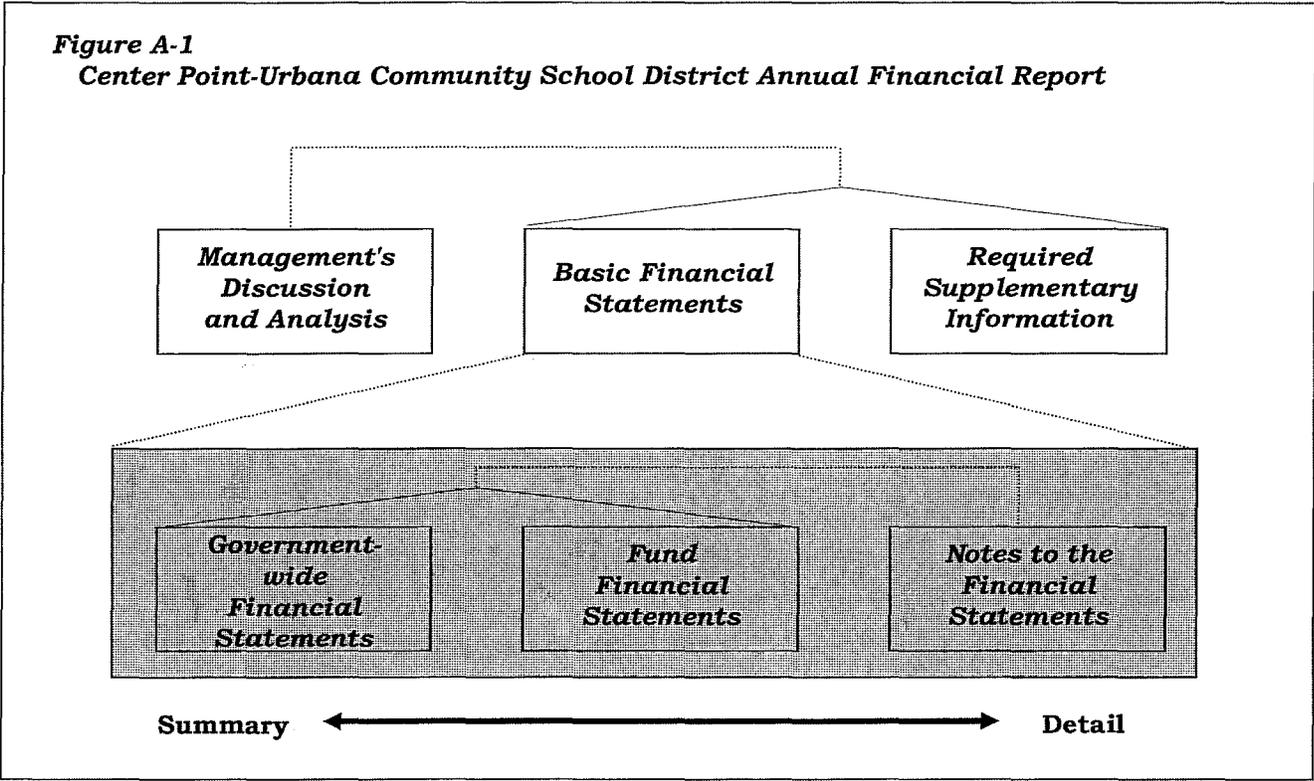


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, e.g., food service	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise fund, the School Nutrition Fund.

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

The District's Internal Service Funds, one type of proprietary fund, are the same as its governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund account accounting for self-funded insurance.

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

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

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a 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

Figure A-3 below provides a summary of the District's total net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 18,621,914	9,815,316	121,033	62,345	18,742,947	9,877,661	89.75%
Capital assets	10,301,163	8,774,478	25,574	30,580	10,326,737	8,805,058	17.28%
Total assets	28,923,077	18,589,794	146,607	92,925	29,069,684	18,682,719	55.60%
Long-term obligations	18,199,118	7,485,386	-	-	18,199,118	7,485,386	143.13%
Other liabilities	5,942,390	7,580,496	55,951	55,962	5,998,341	7,636,458	-21.45%
Total liabilities	24,141,508	15,065,882	55,951	55,962	24,197,459	15,121,844	60.02%
Net assets:							
Invested in capital assets, net of related debt	1,501,564	1,651,413	25,574	30,580	1,527,138	1,681,993	-9.21%
Restricted	3,305,025	2,094,102	-	-	3,305,025	2,094,102	57.83%
Unrestricted	(25,020)	(221,603)	65,082	6,383	40,062	(215,220)	118.61%
Total net assets	\$ 4,781,569	3,523,912	90,656	36,963	4,872,225	3,560,875	36.83%

The District's combined net assets increased by 36.83%, or \$1,311,350, compared to the prior year. A portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$1,210,923, or 57.83% from the prior year. The increase in restricted net assets is attributable to the \$732,431 debt reserve requirement needed for the District's March 1, 2010 revenue bond issue, the \$126,445 increase in categorical fund carryovers as well as the \$104,668 increase in fund balance of the Physical Plant and Equipment Levy Fund.

Unrestricted net assets are 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 increased by \$255,282, or 118.61%. The primary reason for the increase in unrestricted net assets is the increase in General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,511,083	1,360,744	500,695	490,215	2,011,778	1,850,959	8.69%
Operating grants and contributions and restricted interest	2,223,806	1,603,191	204,478	182,377	2,428,284	1,785,568	36.00%
General revenues:							
Property tax	3,732,172	3,367,970	-	-	3,732,172	3,367,970	10.81%
Income surtax	344,270	343,617	-	-	344,270	343,617	0.19%
Statewide sales, services and use tax	1,136,690	962,247	-	-	1,136,690	962,247	18.13%
Unrestricted state grants	5,307,152	5,763,935	-	-	5,307,152	5,763,935	-7.92%
Unrestricted interest revenue	85,720	125,971	117	289	85,837	126,260	-32.02%
Other general revenue	149,551	179,846	2,614	1,836	152,165	181,682	-16.25%
Transfers	86	-	(86)	-	-	-	0.00%
Total revenues and transfers	14,490,530	13,707,521	707,818	674,717	15,198,348	14,382,238	5.67%
Program expenses:							
Governmental activities:							
Instructional	8,242,509	8,080,386	-	-	8,242,509	8,080,386	2.01%
Support services	3,409,164	3,313,293	8,363	9,140	3,417,527	3,322,433	2.86%
Non-instructional programs	-	-	645,762	630,883	645,762	630,883	2.36%
Other expenses	1,581,200	1,380,703	-	-	1,581,200	1,380,703	14.52%
Total expenses	13,232,873	12,774,382	654,125	640,023	13,886,998	13,414,405	3.52%
Change in net assets	1,257,657	933,139	53,693	34,694	1,311,350	967,833	35.49%
Net assets beginning of year	3,523,912	2,590,773	36,963	2,269	3,560,875	2,593,042	37.32%
Net assets end of year	\$ 4,781,569	3,523,912	90,656	36,963	4,872,225	3,560,875	36.83%

In fiscal 2010, property tax, statewide sales, services and use tax and unrestricted state grants account for 70.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.63% of the revenue from business type activities.

The District's total revenues were \$15,198,348 of which \$14,490,530 was for governmental activities and \$707,818 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.67% increase in revenues and a 3.52% increase in expenses. Property tax increased \$364,202 or 10.81% to fund increases in expenditures. The increase in expenses is related to increases in the negotiated salary and benefits and programs funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$14,490,530 and expenses were \$13,232,873 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 8,242,509	8,080,386	2.01%	5,009,097	5,548,330	-9.72%
Support services	3,409,164	3,313,293	2.89%	3,407,098	3,310,699	2.91%
Other expenses	1,581,200	1,380,703	14.52%	1,081,789	951,418	13.70%
Totals	\$ 13,232,873	12,774,382	3.59%	9,497,984	9,810,447	-3.19%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,511,083.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,223,806.
- The net cost of governmental activities was financed with \$5,213,132 in local tax, \$5,307,152 in unrestricted state grants, \$85,720 in interest income and \$149,551 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$707,818 and expenses were \$654,125. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other miscellaneous revenue.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$12,554,930, above last year's ending fund balances of \$1,985,120. However, the primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in fund balance for the Capital Projects Fund.

Governmental Fund Highlights

- The District's improved General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues was the primary reason for the increase in revenues. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from a deficit \$94,069 in fiscal 2009 to \$420,398 in fiscal 2010.
- The Capital Projects fund balance increased from \$1,816,517 in fiscal 2009 to \$11,515,521 in fiscal 2010. The increase was due to the District issuing \$7.38 million of revenue bonds and \$3.7 million of qualified school construction bonds during the year for the construction of a new high school building.
- The Debt Service fund balance increased from \$34,610 in fiscal 2009 to \$263,397 in fiscal 2010. The increase was due to an \$89,058 increase in taxes received. The monthly transfers from the Capital Projects Fund to the Debt Service Fund to fulfill the debt sinking requirements for the \$7.38 million of revenue bonds and \$3.7 million of qualified school construction bonds also contributed to the increase in debt service fund balance.

Proprietary Fund Highlights

- The Enterprise Fund net assets increased from \$36,963 at June 30, 2009 to \$90,656 at June 30, 2010, representing an increase of \$53,693 or 145.27%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,400,023 less than budgeted revenues, a variance of 13.66%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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, 2010, the District had invested \$10,326,737, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 17.28% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$657,498.

The original cost of the District's capital assets was \$21,066,778. Governmental funds account for \$20,990,212 with the remainder of \$76,566 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$169,769 at June 30, 2009, compared to \$2,266,032 reported at June 30, 2010. The increase was due to the District starting construction of a new high school building and the remodeling project for the old high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 408,736	408,736	-	-	408,736	408,736	0.00%
Construction in progress	2,266,032	169,769	-	-	2,266,032	169,769	1234.77%
Buildings	6,910,771	7,416,831	-	-	6,910,771	7,416,831	-6.82%
Improvements other than buildings	284,285	315,614	-	-	284,285	315,614	-9.93%
Machinery and equipment	431,339	463,528	25,574	30,580	456,913	494,108	-7.53%
Total	\$ 10,301,163	8,774,478	25,574	30,580	10,326,737	8,805,058	17.28%

Long-Term Debt

At June 30, 2010, the District had \$18,199,118 in general obligation bonds payable, revenue bonds payable, bus lease payable, early retirement and compensated absences outstanding. This represents an increase of 143.13% 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 an outstanding balance of \$6,890,000 in general obligation bonds at June 30, 2010.

The District had an outstanding balance of \$7,380,000 in revenue bonds payable at June 30, 2010.

The District had an outstanding balance of \$3,700,000 in qualified school construction bonds payable at June 30, 2010.

The District had an outstanding balance of \$27,358 of a bus lease payable at June 30, 2010.

At June 30, 2010, the District had an early retirement outstanding balance of \$26,417 payable from the Special Revenue, Management Levy Fund.

At June 30, 2010, the District had an outstanding compensated absences balance of \$113,935 payable from the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 6,890,000	7,280,000	-5.36%
Revenue bonds	7,380,000	-	100.00%
Qualified school construction bonds	3,700,000	-	100.00%
Bus Lease	27,358	53,376	-48.74%
Early retirement	26,417	43,000	-38.57%
Compensated absences	113,935	109,010	4.52%
Net OPEB liability	61,408	-	100.00%
Totals	\$ 18,199,118	7,485,386	143.13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced an increasing enrollment trend over the past couple of decades. This trend is expected to continue with new homes and businesses being built in both the Center Point and Urbana communities.
- The District will need to stay abreast of political and economic data as a new governor takes office and the economy continues to waiver. Both of these factors will have an impact on future state aid payments, as well as statewide sales, services and use tax proceeds.
- During the 2009-10 school year, the District issued new revenue bonds to move ahead in the first phase of construction of a new high school. The District also received a Harkin grant for the HVAC system in the new high school. In addition, the District is finishing a remodeling project at the existing high school, partially financed by another Harkin grant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristy Bruce, District Secretary/Treasurer/Business Manager, Center Point-Urbana Community School District, 102 Trader Street, Center Point, Iowa, 52213.

Basic Financial Statements

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,691,068	102,467	13,793,535
Receivables:			
Property tax:			
Delinquent	42,374	-	42,374
Succeeding year	3,948,019	-	3,948,019
Income surtax	318,306	-	318,306
Accounts	59,246	354	59,600
Due from other governments	562,901	-	562,901
Inventories	-	18,212	18,212
Capital assets, net of accumulated depreciation	10,301,163	25,574	10,326,737
Total Assets	28,923,077	146,607	29,069,684
Liabilities			
Accounts payable	501,297	82	501,379
Salaries and benefits payable	1,287,826	44,255	1,332,081
Accrued interest payable	205,248	-	205,248
Deferred revenue:			
Succeeding year property tax	3,948,019	-	3,948,019
Unearned revenue	-	11,614	11,614
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	405,000	-	405,000
Bus lease	27,358	-	27,358
Early retirement	17,083	-	17,083
Compensated absences	113,935	-	113,935
Portion due after one year:			
General obligation bonds	6,485,000	-	6,485,000
Revenue bonds	7,380,000	-	7,380,000
Qualified school construction bonds	3,700,000	-	3,700,000
Early retirement	9,334	-	9,334
Net OPEB liability	61,408	-	61,408
Total Liabilities	24,141,508	55,951	24,197,459
Net Assets			
Invested in capital assets, net of related debt	1,501,564	25,574	1,527,138
Restricted for:			
Categorical funding	394,669	-	394,669
Management levy	16,631	-	16,631
Physical plant and equipment levy	126,673	-	126,673
Capital projects	1,585,331	-	1,585,331
Debt service	995,828	-	995,828
Other special revenue purposes	185,893	-	185,893
Unrestricted	(25,020)	65,082	40,062
Total Net Assets	\$ 4,781,569	90,656	4,872,225

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 5,834,067	740,116	1,517,213	(3,576,738)	-	(3,576,738)
Special instruction	1,318,393	310,403	197,114	(810,876)	-	(810,876)
Other instruction	1,090,049	460,564	8,002	(621,483)	-	(621,483)
	<u>8,242,509</u>	<u>1,511,083</u>	<u>1,722,329</u>	<u>(5,009,097)</u>	<u>-</u>	<u>(5,009,097)</u>
Support services:						
Student	270,762	-	-	(270,762)	-	(270,762)
Instructional staff	292,102	-	-	(292,102)	-	(292,102)
Administration	1,456,901	-	-	(1,456,901)	-	(1,456,901)
Operation and maintenance of plant	948,570	-	-	(948,570)	-	(948,570)
Transportation	440,829	-	2,066	(438,763)	-	(438,763)
	<u>3,409,164</u>	<u>-</u>	<u>2,066</u>	<u>(3,407,098)</u>	<u>-</u>	<u>(3,407,098)</u>
Other expenditures:						
Facilities acquisitions	89,078	-	-	(89,078)	-	(89,078)
Long-term debt interest	455,322	-	-	(455,322)	-	(455,322)
AEA flowthrough	499,411	-	499,411	-	-	-
Depreciation(unallocated)*	537,389	-	-	(537,389)	-	(537,389)
	<u>1,581,200</u>	<u>-</u>	<u>499,411</u>	<u>(1,081,789)</u>	<u>-</u>	<u>(1,081,789)</u>
Total governmental activities	<u>13,232,873</u>	<u>1,511,083</u>	<u>2,223,806</u>	<u>(9,497,984)</u>	<u>-</u>	<u>(9,497,984)</u>
Business Type activities:						
Support services:						
Administration	8,363	-	-	-	(8,363)	(8,363)
Non-instructional programs:						
Nutrition services	645,762	500,695	204,478	-	59,411	59,411
Total business type activities	<u>654,125</u>	<u>500,695</u>	<u>204,478</u>	<u>-</u>	<u>51,048</u>	<u>51,048</u>
Total	<u>\$ 13,886,998</u>	<u>2,011,778</u>	<u>2,428,284</u>	<u>(9,497,984)</u>	<u>51,048</u>	<u>(9,446,936)</u>
General Revenues and Transfers:						
Local tax for:						
General purposes				\$ 2,836,420	-	2,836,420
Debt service				676,875	-	676,875
Capital outlay				218,877	-	218,877
Income surtax				344,270	-	344,270
Statewide sales, services and use tax				1,136,690	-	1,136,690
Unrestricted state grants				5,307,152	-	5,307,152
Unrestricted investment earnings				85,720	117	85,837
Other general revenue				149,551	2,614	152,165
Transfers				86	(86)	-
Total general revenues and transfers				<u>10,755,641</u>	<u>2,645</u>	<u>10,758,286</u>
Changes in net assets				1,257,657	53,693	1,311,350
Net assets beginning of year				3,523,912	36,963	3,560,875
Net assets end of year				<u>\$ 4,781,569</u>	<u>90,656</u>	<u>4,872,225</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments	\$ 1,592,834	11,453,794	255,576	358,678	13,660,882
Receivables:					
Property tax:					
Delinquent	30,537	-	7,821	4,016	42,374
Succeeding year	2,874,228	-	688,329	385,462	3,948,019
Income surtax	318,306	-	-	-	318,306
Accounts	1,662	55,361	-	2,223	59,246
Due from other governments	302,239	260,662	-	-	562,901
Total Assets	\$ 5,119,806	11,769,817	951,726	750,379	18,591,728
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 219,048	254,296	-	9,303	482,647
Salaries and benefits payable	1,287,826	-	-	-	1,287,826
Deferred revenue:					
Succeeding year property tax	2,874,228	-	688,329	385,462	3,948,019
Income surtax	318,306	-	-	-	318,306
Total liabilities	4,699,408	254,296	688,329	394,765	6,036,798
Fund balances:					
Reserved for:					
Categorical funding	394,669	-	-	-	394,669
Construction	-	9,197,759	-	-	9,197,759
Debt service	-	732,431	263,397	-	995,828
Unreserved	25,729	1,585,331	-	355,614	1,966,674
Total fund balances	420,398	11,515,521	263,397	355,614	12,554,930
Total liabilities and fund balances	\$ 5,119,806	11,769,817	951,726	750,379	18,591,728

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds(page 20)	\$	12,554,930
 <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.		10,301,163
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		318,306
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		11,536
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.		(205,248)
Long-term liabilities, including bonds payable, compensated absences, early retirement, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(18,199,118)</u>
 Net assets of governmental activities(page 18)	 \$	 <u><u>4,781,569</u></u>

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,012,514	1,136,690	676,875	360,722	5,186,801
Tuition	1,014,968	-	-	-	1,014,968
Other	212,124	66,044	118	472,452	750,738
State sources	6,613,909	-	-	-	6,613,909
Federal sources	895,797	-	-	-	895,797
Total revenues	11,749,312	1,202,734	676,993	833,174	14,462,213
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,816,724	-	-	17,082	5,833,806
Special	1,312,584	-	-	-	1,312,584
Other	715,500	-	-	378,101	1,093,601
	7,844,808	-	-	395,183	8,239,991
Support services:					
Student	266,713	-	-	1,648	268,361
Instructional staff	299,694	-	-	-	299,694
Administration	1,112,247	-	-	114,922	1,227,169
Operation and maintenance of plant	885,952	-	-	55,090	941,042
Transportation	328,506	16,300	-	18,541	363,347
	2,893,112	16,300	-	190,201	3,099,613
Other expenditures:					
Facilities acquisitions	-	2,093,784	-	91,471	2,185,255
Long-term debt:					
Principal	-	-	416,018	-	416,018
Interest	-	-	299,457	-	299,457
AEA flowthrough	499,411	-	-	-	499,411
	499,411	2,093,784	715,475	91,471	3,400,141
Total expenditures	11,237,331	2,110,084	715,475	676,855	14,739,745
Excess(deficiency) of revenues over(under) expenditures	511,981	(907,350)	(38,482)	156,319	(277,532)
Other financing sources(uses):					
Transfers in	86	-	265,669	-	265,755
Transfers out	-	(236,902)	-	(28,767)	(265,669)
Revenue bond issuance	-	7,380,000	-	-	7,380,000
Qualified school construction bond issuance	-	3,700,000	-	-	3,700,000
Cost of bond issuances	-	(236,744)	-	-	(236,744)
Premiums on bond issuances	-	-	1,600	-	1,600
Sale of equipment	2,400	-	-	-	2,400
Total other financing sources(uses)	2,486	10,606,354	267,269	(28,767)	10,847,342
Net change in fund balances	514,467	9,699,004	228,787	127,552	10,569,810
Fund balances beginning of year	(94,069)	1,816,517	34,610	228,062	1,985,120
Fund balances end of year	\$ 420,398	11,515,521	263,397	355,614	12,554,930

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2010

Net change in fund balances - total governmental funds(page 22) \$ 10,569,810

*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 asset disposal are as follows:

Capital outlays	\$ 2,179,763	
Depreciation expense	(652,492)	
Loss on asset disposal	(586)	1,526,685

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

Issued	\$ (11,080,000)	
Repaid	416,018	(10,663,982)

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. (155,865)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 26,331

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 4,428

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.

Compensated absences	\$ (4,925)	
Early retirement	16,583	
Other postemployment benefits	(61,408)	(49,750)

Changes in net assets of governmental activities(page 19) \$ 1,257,657

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Assets		
Cash and cash equivalents	\$ 102,467	30,186
Accounts receivable	354	-
Inventories	18,212	-
Capital assets, net of accumulated depreciation	25,574	-
Total assets	<u>146,607</u>	<u>30,186</u>
Liabilities		
Accounts payable	82	18,650
Salaries and benefits payable	44,255	-
Unearned revenue	11,614	-
Total Liabilities	<u>55,951</u>	<u>18,650</u>
Net Assets		
Invested in capital assets	25,574	-
Unrestricted	65,082	11,536
Total Net Assets	<u>\$ 90,656</u>	<u>11,536</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 500,695	1,181,005
Miscellaneous	2,614	-
TOTAL OPERATING REVENUES	503,309	1,181,005
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	6,218	-
Benefits	917	1,161,731
Services	1,228	14,846
Total support services	8,363	1,176,577
Non-instructional programs:		
Food service operations:		
Salaries	226,735	-
Benefits	55,467	-
Services	6,050	-
Supplies	352,279	-
Other	225	-
Depreciation	5,006	-
Total non-instructional programs	645,762	-
TOTAL OPERATING EXPENSES	654,125	1,176,577
OPERATING INCOME(LOSS)	(150,816)	4,428
NON-OPERATING REVENUES:		
State sources	6,871	-
Federal sources	197,607	-
Interest income	117	-
TOTAL NON-OPERATING REVENUES	204,595	-
Change in net assets before other financing uses	53,779	4,428
Other financing uses:		
Transfer out	(86)	-
Change in net assets	53,693	4,428
Net assets beginning of year	36,963	7,108
Net assets end of year	\$ 90,656	11,536

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 500,123	-
Cash received from miscellaneous	2,614	1,181,005
Cash payments to employees for services	(288,126)	-
Cash payments to suppliers for goods or services	(309,691)	(1,166,091)
Net cash provided by (used in) operating activities	<u>(95,080)</u>	<u>14,914</u>
Cash flows from non-capital financing activities:		
Transfer to general fund	(86)	-
State grants received	6,871	-
Federal grants received	144,107	-
Net cash provided by non-capital financing activities	<u>150,892</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	117	-
Net increase in cash and cash equivalents	55,929	14,914
Cash and cash equivalents at beginning of year	46,538	15,272
Cash and cash equivalents at end of year	<u>\$ 102,467</u>	<u>30,186</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (150,816)	4,428
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities consumed	53,500	-
Depreciation	5,006	-
Increase in inventories	(2,668)	-
Increase in accounts receivable	(91)	-
Increase (decrease) in accounts payable	(741)	10,486
Increase in salaries and benefits payable	1,211	-
Decrease in unearned revenue	(481)	-
Net cash provided by (used in) operating activities	<u>\$ (95,080)</u>	<u>14,914</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$53,500.

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Funds</u>
Assets	
Cash and pooled investments	<u>\$ 23,586</u>
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>\$ 23,586</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
Additions:	
Interest	\$ 484
Deductions:	
Other enterprise operations:	
Scholarships	850
Change in net assets	(366)
Net assets beginning of year	23,952
Net assets end of year	\$ 23,586

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The Center Point-Urbana 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 cities of Center Point and Urbana, Iowa, and the predominate agricultural territory in Linn and Benton Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Center Point-Urbana 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 Center Point-Urbana Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery and equipment and intangibles, 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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	50 years
Land improvements	20-50 years
Intangibles	5-15 years
Machinery and equipment	5-15 years

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

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

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

Unearned Revenue – Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$8,064,961 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the

Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/09	6/23/10	\$ 0	2,650,000	2,650,000	0

During the year ended June 30, 2010, the District paid \$53,128 of interest on the ISCAP warrants.

(4) Transfers

The detail of transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 28,767
Debt Service	Capital Projects	236,902
General	Nutrition	86
		<u>\$ 265,755</u>

The transfer from the Physical Plant and Equipment Levy Fund to the Debt Service fund was needed for the principal and interest payment for the District's bus lease indebtedness.

The transfer from the Capital Projects Fund to the Debt Service Fund was needed to fund the debt sinking requirements for the District's revenue bond and quality school construction bond indebtedness.

The transfer from the Nutrition Fund to the General Fund was to move the money received from the Team Nutrition federal grant.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 76,566	-	-	76,566
Less accumulated depreciation	45,986	5,006	-	50,992
Business type activities capital assets, net	<u>\$ 30,580</u>	<u>(5,006)</u>	<u>-</u>	<u>25,574</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 408,736	-	-	408,736
Construction in progress	169,769	2,096,263	-	2,266,032
Total capital assets not being depreciated	578,505	2,096,263	-	2,674,768
Capital assets being depreciated:				
Buildings	16,157,403	-	-	16,157,403
Land improvements	838,912	-	-	838,912
Machinery and equipment	1,451,981	83,500	216,352	1,319,129
Total capital assets being depreciated	18,448,296	83,500	216,352	18,315,444
Less accumulated depreciation for:				
Buildings	8,740,572	506,060	-	9,246,632
Land improvements	523,298	31,329	-	554,627
Machinery and equipment	988,453	115,103	215,766	887,790
Total accumulated depreciation	10,252,323	652,492	215,766	10,689,049
Total capital assets being depreciated, net	8,195,973	(568,992)	586	7,626,395
Governmental activities capital assets, net	\$ 8,774,478	1,527,271	586	10,301,163

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,800
Other		4,653
Support services:		
Instructional staff		2,400
Administration		2,940
Operation and maintenance		2,256
Transportation		98,054
		115,103
Unallocated depreciation		537,389
Total governmental activities depreciation expense		\$ 652,492
Business type activities:		
Food services		\$ 5,006

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 7,280,000	-	390,000	6,890,000	405,000
Revenue bonds	-	7,380,000	-	7,380,000	-
Qualified school construction bonds	-	3,700,000	-	3,700,000	-
Bus Lease	53,376	-	26,018	27,358	27,358
Early Retirement	43,000	500	17,083	26,417	17,083
Compensated Absences	109,010	113,935	109,010	113,935	113,935
Net OPEB liability	-	61,408	-	61,408	-
Total	\$ 7,485,386	11,255,843	542,111	18,199,118	563,376

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 1, 2006			Bond Issue March 1, 2006			Bond Issue May 1, 2002			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	4.25 % \$	65,000	113,212	4.65-4.75 % \$	340,000	99,018	4.90 % \$	-	69,500	\$ 405,000	281,730	686,730
2012	4.25	25,000	110,450	4.75-4.80	350,000	87,415	4.90	-	69,500	375,000	267,365	642,365
2013	4.30	25,000	109,388	4.80-4.85	365,000	75,297	4.90	-	69,500	390,000	254,185	644,185
2014	4.30	25,000	108,312	4.85	375,000	62,341	4.90	-	69,500	400,000	240,153	640,153
2015	4.15	25,000	107,238	4.85-4.90	390,000	48,708	4.90	-	69,500	415,000	225,446	640,446
2016-2020	4.15-4.20	350,000	507,125	4.90-5.00	1,025,000	59,414	4.90-5.00	705,000	322,850	2,080,000	889,389	2,969,389
2021-2026	4.25-4.30	2,135,000	389,750	-	-	-	5.00	690,000	52,000	2,825,000	441,750	3,266,750
		\$ 2,650,000	1,445,475		\$ 2,845,000	432,193		\$ 1,395,000	722,350	\$ 6,890,000	2,600,018	9,490,018

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue March 1, 2010			
	Interest Rates	Principal	Interest	Total
2011	1.10 % \$	-	239,965	239,965
2012	1.50	245,000	286,609	531,609
2013	2.00	345,000	282,675	627,675
2014	2.25	185,000	278,238	463,238
2015	2.60	190,000	274,250	464,250
2016-2020	3.00-3.75	1,030,000	1,285,105	2,315,105
2021-2025	3.90-4.35	1,480,000	1,074,271	2,554,271
2026-2030	4.45-4.75	3,905,000	516,873	4,421,873
		\$ 7,380,000	4,237,986	11,617,986

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,380,000 of bonds dated March 1, 2010. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 21 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,617,986. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,136,690.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$732,431 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 in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use 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 requirement 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.

Qualified School Construction Bonds

During the year ended June 30, 2010, the District issued Qualified School Construction Bonds (QSCB). Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024, of \$3,700,000. Details of the District's June 30, 2010 QSCB bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue November 17, 2009				
	Interest Rates	Principal	Interest	Total	
2011	2.74 %	\$ -	113,771	113,771	
2012	2.74	-	101,380	101,380	
2013	2.74	-	101,380	101,380	
2014	2.74	-	101,380	101,380	
2015	2.74	-	101,380	101,380	
2016-2020	2.74	-	506,900	506,900	
2021-2025	2.74	3,700,000	456,210	4,156,210	
		<u>\$ 3,700,000</u>	<u>1,482,401</u>	<u>5,182,401</u>	

Bus Lease

On November 21, 2008 the District entered into an agreement with Baystone Financial Group for the lease of a school bus. Details of the District's June 30, 2010 bus lease indebtedness is as follows:

Year Ending June 30,	Bus Lease November 21, 2008				
	Interest Rates	Principal	Interest	Total	
2011	4.728 %	\$ 27,358	1,409	28,767	

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees on a year to year basis. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was \$15,000 in the 2007-2008 year and is \$10,000 in the 2008-09 year and a prorated benefit deposited into a Health Retirement Account or a Tax Shelter Annuity with a minimum of nine years of service required. The early retirement incentive was not offered in the 2009-10 year. The prorated benefits is calculated by numbers of years of service times \$750. The insurance coverage will cease when the employee reaches age sixty-five, secures other employment in which the employer insurance coverage, or becomes deceased. Early retirement benefits paid during the year ended June 30, 2010, totaled \$17,083. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$492,394, \$456,242, and \$410,075, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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 129 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 67,460
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>67,460</u>
Contributions made	<u>(6,052)</u>
Increase in net OPEB obligation	61,408
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 61,408</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$6,052 to the medical plan. Plan members receiving 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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 67,460	8.97%	\$ 61,408

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$571,095, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$571,095. The covered payroll (annual payroll of active employees covered by the plan) was \$6,250,442 and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2010, 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of valuation and the historical pattern of sharing 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 July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study.

Projected claim costs of the Non PPO 100/200 plan are \$498 per month. Projected claim costs of the Non PPO 250/500 plan are \$478 per month. Projected claim costs of the Non PPO 750/1,500 plan are \$435 per month. Projected claim costs of the PPO 2500/5000 (HSA) are \$337 per month. Projected claim costs for the PPO 5,000/10,000 are \$257 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$499,411 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Unrestricted Net Assets

The District had a deficit unrestricted net assets balance in the governmental activities of \$25,020 at June 30, 2010.

(12) Construction Commitments

The District has active construction projects as of June 30, 2010. The projects include building a brand new high school along with remodeling of the old high school. The District entered into contracts totaling \$16,367,959. As of June 30, 2010, costs of \$1,989,763 had been incurred against the contracts. The balance of \$14,378,196 remaining at June 30, 2010 will be paid as work on the projects progress.

(13) Categorical Funding

The District's ending balance for categorical funding by project as of the year ended June 30, 2010, are as follows:

<u>Project</u>	<u>Amount</u>
Gifted and talented	\$ 174,583
Four year old preschool state aid	132,619
Salary Improvement Program	1,706
Statewide voluntary preschool	65,594
Professional development for model core curriculum	17,638
Professional development	2,529
Total	<u>\$ 394,669</u>

Required Supplementary Information

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,952,507	503,426	7,455,933	7,282,893	7,282,893	173,040
Intermediate sources	-	-	-	8,200	8,200	(8,200)
State sources	6,613,909	6,871	6,620,780	8,927,222	8,927,222	(2,306,442)
Federal sources	895,797	197,607	1,093,404	1,351,825	1,351,825	(258,421)
Total revenues	14,462,213	707,904	15,170,117	17,570,140	17,570,140	(2,400,023)
Expenditures/expenses:						
Instruction	8,239,991	-	8,239,991	9,879,245	9,879,245	1,639,254
Support services	3,099,613	8,363	3,107,976	4,268,229	4,268,229	1,160,253
Non-instructional programs	-	645,762	645,762	1,157,300	1,157,300	511,538
Other expenditures	3,400,141	-	3,400,141	17,985,005	17,985,005	14,584,864
Total expenditures/expenses	14,739,745	654,125	15,393,870	33,289,779	33,289,779	17,895,909
Excess (deficiency) of revenues (over) under expenditures/expenses	(277,532)	53,779	(223,753)	(15,719,639)	(15,719,639)	15,495,886
Other financing sources (uses), net	10,847,342	(86)	10,847,256	14,000,000	14,000,000	(3,152,744)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	10,569,810	53,693	10,623,503	(1,719,639)	(1,719,639)	12,343,142
Balances beginning of year	1,985,120	36,963	2,022,083	2,042,424	2,042,424	(20,341)
Balances end of year	\$ 12,554,930	90,656	12,645,586	322,785	322,785	12,322,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,250,442	9.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Special Revenue Funds			
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 193,325	41,440	123,913	358,678
Receivables:				
Property tax:				
Delinquent	-	1,624	2,392	4,016
Succeeding year	-	164,999	220,463	385,462
Accounts	-	-	2,223	2,223
Total assets	\$ 193,325	208,063	348,991	750,379
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,432	16	1,855	9,303
Deferred revenue:				
Succeeding year property tax	-	164,999	220,463	385,462
Total liabilities	7,432	165,015	222,318	394,765
Unreserved fund balances	185,893	43,048	126,673	355,614
Total liabilities and fund balances	\$ 193,325	208,063	348,991	750,379

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	141,845	218,877	360,722
Other	439,339	22,290	10,823	472,452
TOTAL REVENUES	439,339	164,135	229,700	833,174
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	17,082	-	17,082
Other	378,101	-	-	378,101
Support services:				
Student	1,648	-	-	1,648
Administration	-	114,922	-	114,922
Operation and maintenance of plant	-	55,090	-	55,090
Student transportation	-	13,747	4,794	18,541
Other expenditures:				
Facilities acquisitions	-	-	91,471	91,471
TOTAL EXPENDITURES	379,749	200,841	96,265	676,855
Excess(Deficiency) of revenues over(under) expenditures	59,590	(36,706)	133,435	156,319
Other financing uses:				
Transfer out	-	-	(28,767)	(28,767)
Net change in fund balance	59,590	(36,706)	104,668	127,552
Fund balances beginning of year	126,303	79,754	22,005	228,062
Fund balances end of year	\$ 185,893	43,048	126,673	355,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>K-12 Pupil services</u>				
General athletics	\$ 1,577	7,813	6,032	3,358
Annual	11,231	14,021	14,833	10,419
Wellness	8,926	989	1,649	8,266
	21,734	22,823	22,514	22,043
<u>Elementary School</u>				
Elementary pop	3,669	1,545	1,385	3,829
<u>Middle School</u>				
Musical	(1,270)	2,577	687	620
Annual	1,679	2,818	2,185	2,312
Pop	180	1,680	1,627	233
Canstruction	-	1,633	1,403	230
Pep club	494	3,496	3,869	121
MS choir	2,767	1,698	1,700	2,765
MS band	3,856	1,622	3,172	2,306
	7,706	15,524	14,643	8,587
<u>High School</u>				
Drama	6,607	571	2,548	4,630
HS musical	(1,296)	1,582	174	112
Childrens theatre	3,036	450	-	3,486
Speech	(2,438)	777	1,667	(3,328)
Show choir	7,034	15,452	16,787	5,699
Cross country	148	2,892	2,902	138
Golf	(1,791)	2,450	3,908	(3,249)
Boys basketball	(711)	18,787	14,013	4,063
Football	4,283	33,506	22,028	15,761
Boys soccer	1,117	5,484	5,572	1,029
Boys baseball	(4,966)	13,633	15,483	(6,816)
Boys track	630	4,078	5,225	(517)
Boys wrestling	2,923	7,256	9,219	960
Girls basketball	(46)	11,893	9,336	2,511
Volleyball	789	9,401	10,119	71
Girls soccer	(344)	3,510	3,443	(277)
Softball	(3,777)	11,402	10,198	(2,573)
Girls track	20	5,754	5,674	100
General athletics	(2,633)	5,404	3,921	(1,150)
Storm troopers	2,771	3,649	2,602	3,818
HS computer lab	690	123	91	722
FCCLA	525	3,260	1,680	2,105
HS pop	90	1,283	1,939	(566)
Senior science trip	373	9,861	9,462	772
Art club	-	26	-	26
Home economics	349	1,001	971	379
Model UN	442	135	375	202
National honor society	537	-	193	344
Student council	2,932	14,194	14,118	3,008
Spanish club	2,781	3,335	6,061	55
Biology club	307	138	149	296
Cheerleaders	3,978	7,166	7,801	3,343
Drill team	3,460	6,730	5,408	4,782
Class of 2009	478	-	478	-
Class of 2010	4,147	1,874	6,021	-
Class of 2011	1,146	23,403	18,193	6,356
Class of 2013	-	22	-	22
Senior class trip	435	455	-	890
HS band/jazz band	1,858	7,317	7,384	1,791
CPU music parents	33,002	69,437	57,649	44,790
Booster club	24,308	91,756	58,415	57,649
	93,194	399,447	341,207	151,434
Total	\$ 126,303	439,339	379,749	185,893

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOLS DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2010

	Capital Project Funds		
	GO Bond Construction	Statewide Sales and Services Tax	Total Capital Projects
REVENUES:			
Local sources:			
Local tax	\$ -	1,136,690	1,136,690
Other	1,232	64,812	66,044
Total revenues	1,232	1,201,502	1,202,734
EXPENDITURES:			
Support services:			
Transportation	-	16,300	16,300
Other expenditures:			
Facilities acquisitions	211,543	1,882,241	2,093,784
Total expenditures	211,543	1,898,541	2,110,084
Deficiency of revenues under expenditures	(210,311)	(697,039)	(907,350)
Other financing sources(uses):			
Transfers out	-	(236,902)	(236,902)
Revenue bond issuance		7,380,000	7,380,000
Qualified school construction bond issuance		3,700,000	3,700,000
Costs of issuance of bonds	-	(236,744)	(236,744)
Total other financing sources(uses)	-	10,606,354	10,606,354
Net change in fund balances	(210,311)	9,909,315	9,699,004
Fund balance beginning year	210,311	1,606,206	1,816,517
Fund balance end of year	\$ -	11,515,521	11,515,521

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST
 JUNE 30, 2010

	Private Purpose Trust						Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	
Assets							
Cash and pooled investments	\$ 629	800	8,298	7,393	6,165	301	23,586
Liabilities	-	-	-	-	-	-	-
Net Assets							
Reserved for scholarships	\$ 629	800	8,298	7,393	6,165	301	23,586

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust						Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	
Additions:							
Local sources:							
Interest income	\$ -	-	259	225	-	-	484
Deductions:							
Other enterprise operations:							
Scholarships	100	-	500	250	-	-	850
Changes in net assets	(100)	-	(241)	(25)	-	-	(366)
Net assets beginning of year	729	800	8,539	7,418	6,165	301	23,952
Net assets end of year	\$ 629	800	8,298	7,393	6,165	301	23,586

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 5,186,801	4,649,023	4,347,649	3,575,835	3,234,742	3,168,824	2,767,200
Tuition	1,014,968	892,508	806,991	706,255	799,047	648,293	518,066
Other	750,738	790,033	1,024,595	756,948	549,533	495,114	523,710
State sources	6,613,909	7,059,694	6,802,555	5,818,628	5,249,603	4,788,783	4,563,957
Federal sources	895,797	291,452	152,056	157,791	236,046	194,351	300,718
Total	\$ 14,462,213	13,682,710	13,133,846	11,015,457	10,068,971	9,295,365	8,673,651
Expenditures:							
Current:							
Instruction:							
Regular	\$ 5,833,806	5,774,940	5,189,594	4,712,334	4,307,045	4,094,228	3,592,606
Special	1,312,584	1,329,432	1,260,668	1,185,672	1,214,103	1,247,292	1,022,362
Other	1,093,601	982,601	996,817	899,698	775,325	726,625	725,111
Support services:							
Student	268,361	289,696	283,934	279,601	261,587	227,799	238,722
Instructional staff	299,694	259,524	250,050	195,609	181,220	178,849	130,564
Administration	1,227,169	1,280,601	1,320,989	1,178,454	1,286,724	1,038,110	819,307
Operation and maintenance of plant	941,042	975,746	1,015,733	891,442	904,531	858,577	749,813
Transportation	363,347	781,409	347,964	442,407	353,667	424,126	298,354
Other expenditures:							
Facilities acquisitions	2,185,255	391,154	532,939	2,449,914	156,450	94,194	1,500,511
Long-term debt:							
Principal	416,018	402,693	370,000	405,000	365,000	395,007	270,000
Interest	299,457	310,659	322,176	349,251	272,930	271,256	293,367
AEA flow-through	499,411	429,285	398,409	365,632	325,981	304,335	297,732
Total	\$ 14,739,745	13,207,740	12,289,273	13,355,014	10,404,563	9,860,398	9,938,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	\$ 179,217 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	<u>18,304</u>
			<u>197,521</u>
TEAM NUTRITION GRANT	10.574	FY 10	<u>86</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	42,638
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>28,318</u>
			<u>70,956</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	84.186	FY 10	<u>2,307</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>26,783</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 10	<u>8,899</u>
STATE FISCAL STABILIZATION FUNDS (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>574,635</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 10	61,840
SPECIAL EDUCATION GRANTS TO STATES(PART B), RECOVERY ACT	84.391	FY 10	<u>135,274</u>
			<u>197,114</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>6,003</u>
TOTAL			<u>\$ 1,084,304</u>

* - Includes \$53,500 of non-cash rewards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Telephone (641) 792-1910

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

To the Board of Education of the
Center Point -Urbana 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 Center Point - Urbana Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2011. 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 Center Point-Urbana 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 Center Point-Urbana Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 and II-C-10 to be significant deficiencies.

Compliance and Other Matters

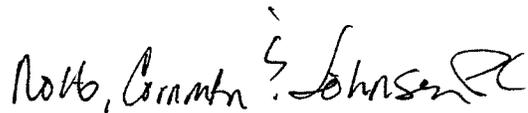
As part of obtaining reasonable assurance about whether Center Point-Urbana Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

Center Point-Urbana 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 Center Point-Urbana 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 Center Point-Urbana Community School District and other parties to whom Center Point-Urbana 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 Center Point-Urbana 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 19, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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
Center Point-Urbana Community School District

Compliance

We have audited the compliance of Center Point-Urbana 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, 2010. Center Point-Urbana 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 Center Point-Urbana Community School District's management. Our responsibility is to express an opinion on Center Point-Urbana 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 Center Point-Urbana 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 Center Point-Urbana Community School District's compliance with those requirements.

In our opinion, Center Point-Urbana 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, 2010.

Internal Control Over Compliance

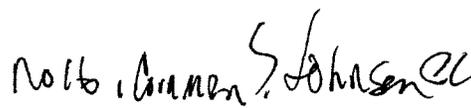
The management of Center Point-Urbana Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A 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 material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Center Point-Urbana 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 Center Point-Urbana 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 Center Point-Urbana Community School District and other parties to whom Center Point-Urbana 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 19, 2011

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed 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 84.394 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Center Point-Urbana Community School District did not qualify as a low-risk auditee.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises. The District continues to modify control procedures when possible to maximize segregation of duties.

Conclusion - Response accepted.

II-B-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders that were being completed after the product had been ordered.

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

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review the purchase order procedures with employees to ensure purchases are properly approved before purchase.

Conclusion - Response accepted.

II-C-10 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The holding of the undeposited funds by the sponsors provides a risk of loss due to possible theft, improper use or loss, as well as lack of reporting of the funds.

Recommendation - The District should take necessary steps to require all individuals to turn in collected money in a timely manner. Sponsors who knowingly circumvent the processes and procedures prescribed by the Board of Directors should be held accountable for their actions, as they pose a substantial risk for loss of funds which the Board of Directors is held accountable.

Response - The District will review procedures in place with staff members and stress the importance of turning in collected receipts in a timely manner to prevent loss of funds.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-10 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. We noted that the duties of one individual include preparing checks and recording the transactions in the general ledger.

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

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises. The District continues to modify control procedures when possible to maximize segregation of duties.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Beth Seltrecht, Lunch Clerk Spouse owns Seltrecht Excavating	Purchased services	\$7,256
Shawn Havener, Art Teacher Owner of Southern Winds Studio	Purchased services	\$298
Kevin Rhinehart, Crossing Guard Owns Rhinehart Texaco	Purchased services	\$1,704
Bill Wright, Bus Driver Owns WSA Promotions, LLC	Purchased services	\$1,207

In accordance with Attorney General's Opinion dated November 9, 1976, the above transaction with the Beth Sltrecht's spouse doesn't appear to present a conflict of interest.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with Shawn Havener, Kevin Rhinehart, and Bill Wright do not appear to present a conflict of interest.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 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-10 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-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-10 Statewide Sales, Services and Use Tax - During our audit, there was no instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions Chapter 423F.3 of the Code of Iowa.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	608,345
Statewide sales, services and use tax revenue			1,136,690
Expenditures/transfers out:			
School infrastructures:			
Equipment	\$	16,300	
Debt service for school infrastructure:			
Revenue debt		79,455	
Qualified school construction bonds		157,447	253,202
Ending Balance		\$	<u>1,491,833</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 0.67000	\$ 14,087

IV-L-10 Financial Condition - The District had a deficit unrestricted net assets balance in the governmental activities of \$25,020 at June 30, 2010. The District's Student Activity Fund also had accounts with deficit balances totaling \$18,476.

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

Response - The District will continue to take steps to return deficit accounts to a positive balance.

Conclusion - Response accepted.

IV-M-10 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials 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 District will modify Activity Office Procedures to comply with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.