

CENTERVILLE 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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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u> (Before September 2009 Election)		
Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Bill Matkovich	Board Member	2011
Jeri Pershey	Board Member	2011
Nick Hindley	Board Member	2011
Brad Appler	Board Member	2011
Deborah Watley	Board Member	2009
<u>Board of Education</u> (After September 2009 Election)		
Steve Hoch	President	2013
Nick Hindley	Vice President	2011
Bill Matkovich	Board Member	2011
Jeri Pershey	Board Member	2011
Brad Appler	Board Member	2011
Tom Lange	Board Member	2013
Marty Braster	Board Member	2013
<u>School Officials</u>		
Richard Turner	Superintendent	2010
Marvin Judkins	Business Manager	2010
Linda Henderson	Board Secretary/Treasurer	2010
Rick Engel	Attorney	Indefinite

Centerville 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
Centerville Community School District:

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 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 an opinion on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2011 on our consideration of the Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified

opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$14,015,567 in fiscal 2009 to \$14,100,872 in fiscal 2010, while General Fund expenditures increased from \$14,046,957 in fiscal 2009 to \$14,095,788 in fiscal 2010. The District's General Fund balance increased from a deficit \$264,069 at the end of fiscal 2009 to a deficit \$258,985 at the end of fiscal 2010, a 1.93% increase.
- The increase in General Fund revenues was attributable to an increase in income surtax and federal grant revenues in 2010. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

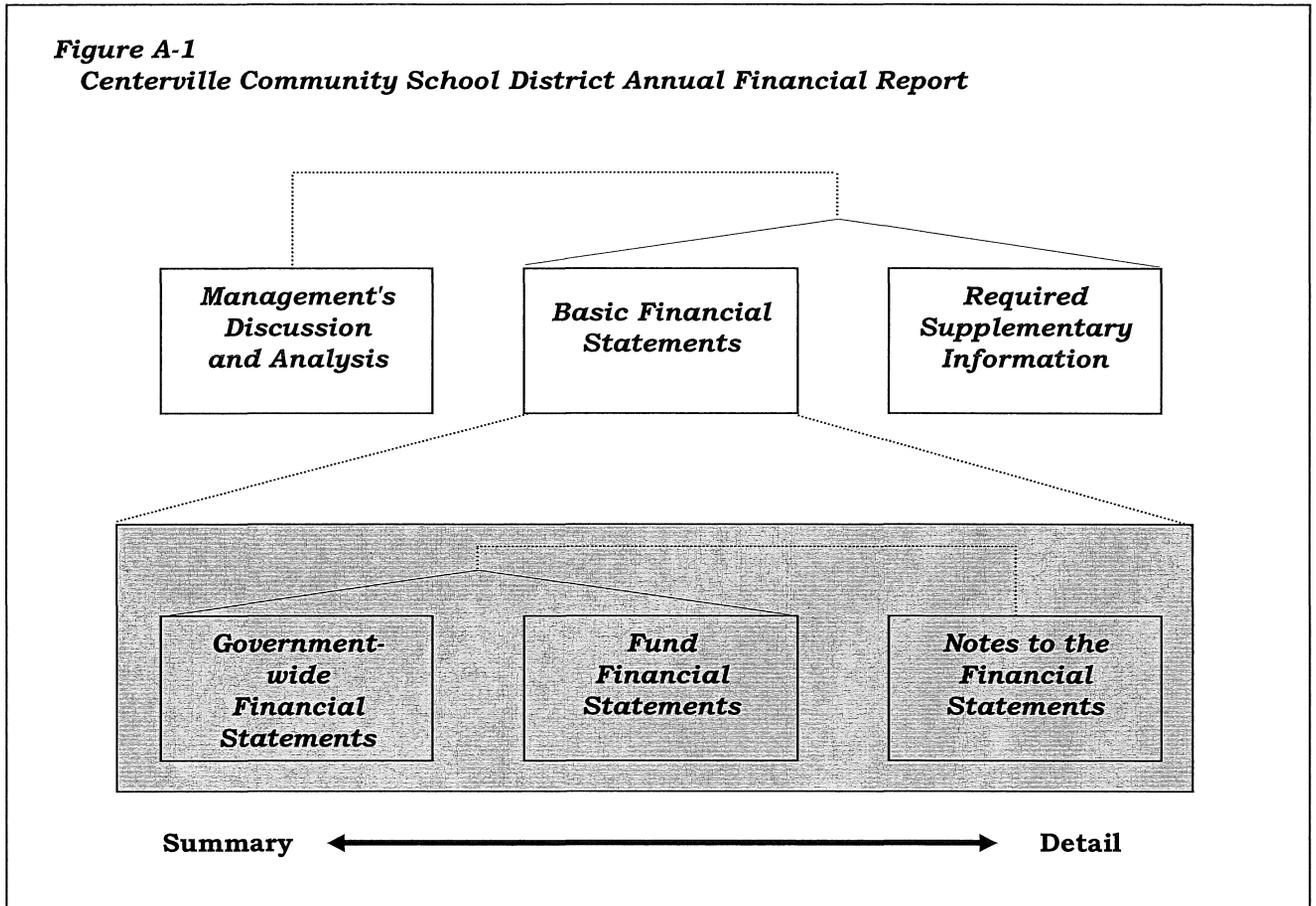


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and child care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • 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 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 statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund, Self-Funded Insurance Fund.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 8,159,584	10,020,567	138,345	86,474	8,297,929	10,107,041	-17.90%
Capital assets	9,017,273	8,969,801	67,967	80,804	9,085,240	9,050,605	0.38%
Total assets	17,176,857	18,990,368	206,312	167,278	17,383,169	19,157,646	-9.26%
Long-term obligations	4,509,168	5,161,467	-	-	4,509,168	5,161,467	-12.64%
Other liabilities	6,411,479	8,167,767	56,415	58,720	6,467,894	8,226,487	-21.38%
Total liabilities	10,920,647	13,329,234	56,415	58,720	10,977,062	13,387,954	-18.01%
Net assets:							
Invested in capital assets, net of related debt	5,160,732	4,349,982	67,967	80,804	5,228,699	4,430,786	18.01%
Restricted	2,017,550	2,056,852	-	-	2,017,550	2,056,852	-1.91%
Unrestricted	(922,072)	(745,700)	81,930	27,754	(840,142)	(717,946)	17.02%
Total net assets	\$ 6,256,210	5,661,134	149,897	108,558	6,406,107	5,769,692	11.03%

The District's combined net assets increased by 11.02%, or \$636,415 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$39,302, or 1.91% under the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$122,196, or 17.02%.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 678,603	855,540	251,060	246,014	929,663	1,101,554	-15.60%
Operating grants and contributions and restricted interest	3,433,361	2,539,682	428,628	413,152	3,861,989	2,952,834	30.79%
General revenues:							
Property tax	3,759,962	3,786,349	-	-	3,759,962	3,786,349	-0.70%
Income surtax	206,304	201,058	-	-	206,304	201,058	2.61%
Statewide sales and services tax	906,166	1,027,163	-	-	906,166	1,027,163	-11.78%
City sales and services tax	94,633	103,956	-	-	94,633	103,956	-8.97%
Unrestricted state grants	6,918,664	7,763,731	-	-	6,918,664	7,763,731	-10.88%
Unrestricted investment earnings	81,274	68,136	63	270	81,337	68,406	18.90%
Other	227,588	182,701	-	-	227,588	182,701	24.57%
Total revenues	16,306,555	16,528,316	679,751	659,436	16,986,306	17,187,752	-1.17%
Program expenses:							
Governmental activities:							
Instruction	10,209,626	9,808,141	-	-	10,209,626	9,808,141	4.09%
Support services	4,223,019	4,250,875	14,513	17,211	4,237,532	4,268,086	-0.72%
Non-instructional programs	-	-	623,899	651,901	623,899	651,901	-4.30%
Other expenses	1,272,891	1,263,178	-	-	1,272,891	1,263,178	0.77%
Total expenses	15,705,536	15,322,194	638,412	669,112	16,343,948	15,991,306	2.21%
Changes in net assets	601,019	1,206,122	41,339	(9,676)	642,358	1,196,446	-46.31%
Transfers	(5,943)	(8,000)	-	8,000	(5,943)	-	0.00%
Changes in net assets	595,076	1,198,122	41,339	(1,676)	636,415	1,196,446	-46.81%
Beginning net assets	5,661,134	4,463,012	108,558	110,234	5,769,692	4,573,246	26.16%
Ending net assets	\$ 6,256,210	5,661,134	149,897	108,558	6,406,107	5,769,692	11.03%

In fiscal 2010, property tax, income surtax, statewide sales and services tax, city sales and services tax and unrestricted state grants account for 72.89% of the governmental revenue while charges for services and operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$16.99 million, of which \$16.31 million was for governmental activities and \$.68 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.17% decrease in revenues and a 2.21% increase in expenses. Unrestricted state grants decreased \$845,067 which caused the majority of the decrease in revenues. The increases in expenses related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$16,306,555 and expenses and transfers were \$15,711,479.

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

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	\$ 10,209,626	9,808,141	4.09%	\$ 6,702,873	6,944,719	-3.48%
Support services	4,223,019	4,250,875	-0.66%	4,217,631	4,249,394	-0.75%
Other expenses	1,272,891	1,263,178	0.77%	673,068	732,859	-8.16%
Totals	<u>\$ 15,705,536</u>	<u>15,322,194</u>	<u>2.50%</u>	<u>\$ 11,593,572</u>	<u>11,926,972</u>	<u>-2.80%</u>

- The cost financed by users of the District's programs was \$678,603.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,433,361.
- The net cost of governmental activities was financed with \$3,759,962 in property tax, \$206,304 in income surtax, \$906,166 in statewide sales and services tax, \$94,633 in city sales and services tax, \$6,918,664 in unrestricted state grants, \$81,274 in unrestricted investment earnings, and \$227,588 in other general revenues.

Business Type Activities

Revenues and transfers of the District's Business type activities were \$679,751 and expenses were \$638,412. The District's Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,379,676, below last year's ending fund balances of \$1,619,258. However, the primary reason for the decrease in combined fund balances in fiscal 2010 is due to the decrease in the Capital Projects Funds balances.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The District's increased General Fund expenditures was less than the total General Fund revenues.
- The General Fund balance increased from a deficit \$264,069 to a deficit \$258,985, due in fact that the district's expenses were less than the total revenues. With the across the board reduction in state financial aid of about \$750,000, the district implemented several mid-year expenditure reduction strategies including providing an early retirement benefit for semester retirees, encouraging voluntary unpaid furlough days, imposing a spending freeze on all instructional supplies and equipment, and limiting out of district over night travel.
- The Physical Plant and Equipment Levy decreased from \$52,808 to \$24,075 due to the fact that expenditures exceeded revenues. The principals were provided a larger budget for classroom computers and technology purchases.

- The Debt Service Fund balance decreased from \$802,407 in fiscal 2009 to \$752,765 in fiscal 2010. The District transfers in statewide and city sales and services tax monies from the Capital Projects Fund to pay for bond principal and interest. The decrease was due to the district using the existing balance to make some of the principal and interest payments on bonds in lieu of collecting that amount in property taxes to assist in controlling the property tax rate for the taxpayers of the school district.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$108,588 at June 30, 2009 to \$149,897 at June 30, 2010, representing an increase of 37.74%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$1,725,798 less than budgeted revenues, a variance of 9.23%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of .38% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$563,213.

The original cost of the District’s capital assets was \$18.52 million. Governmental funds account for \$18.26 million with the remainder of \$0.26 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District’s land improvements totaled \$186,550 at June 30, 2010, compared to \$209,251 reported at June 30, 2009. This decrease resulted primarily from depreciation expense.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 204,400	204,400	-	-	204,400	204,400	0.00%
Buildings	8,270,380	8,224,559	-	-	8,270,380	8,224,559	0.56%
Land improvements	186,550	209,251	-	-	186,550	209,251	-10.85%
Machinery and equipment	355,943	331,591	67,967	80,804	423,910	412,395	2.79%
Total	\$ 9,017,273	8,969,801	67,967	80,804	9,085,240	9,050,605	0.38%

Long-Term Debt

At June 30, 2010, the District had \$4,509,168 in general obligation and other long-term debt outstanding. This represents a decrease of 12.78% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,605,000 at June 30, 2010.

The District had outstanding revenue bonds of \$2,222,296 at June 30, 2010.

The District had outstanding capital leases of \$22,065 at June 30, 2010.

The District had an outstanding scoreboard lease of \$7,180 at June 30, 2010.

The District had early retirement payable of \$536,540 at June 30, 2010, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District also had compensated absences payable of \$116,087 at June 30, 2010, which will be paid primarily out of the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Total
	Activities		Change
	June 30, 2010	2009	June 30, 2009-10
General obligation bonds	\$ 1,605,000	1,835,000	-12.53%
Revenue bonds	2,222,296	2,749,149	-19.16%
Capital loan notes	22,065	35,670	-38.14%
Scoreboard lease	7,180	-	100.00%
Early retirement	536,540	425,756	26.02%
Compensated absences	116,087	115,892	0.17%
Totals	\$ 4,509,168	5,161,467	-12.78%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in 12 of the past 15 years.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004. The budget guarantee is a relatively minor part of the District's budget and is expected to have little effect in fiscal year 2010.
- Low allowable growth over the past several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The state financial woes and its inability to make its foundation payments to schools in full compounds the districts economic issues and at this time may be the most serious of the factors causing concern for the school district.

CONTACTING THE DISTRICT'S FINANCIAL 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 Dr. Marvin Judkins, Business Manager, Centerville Community School District, PO Box 370, Centerville, Iowa, 52544.

Centerville Community School District

Basic Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 2,952,688	117,396	3,070,084
Receivables:			
Property tax:			
Delinquent	99,026	-	99,026
Succeeding year	4,159,586	-	4,159,586
Income surtax	193,992	-	193,992
Accounts	1,789	174	1,963
Accrued ISCAP interest	-	-	-
Due from other governments	524,499	-	524,499
Inventories	-	14,623	14,623
Capital assets not being depreciated:			
Land	204,400	-	204,400
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	8,270,380	-	8,270,380
Land improvements	186,550	-	186,550
Machinery and equipment	355,943	67,967	423,910
Net OPEB asset	228,004	6,152	234,156
TOTAL ASSETS	17,176,857	206,312	17,383,169
LIABILITIES			
Accounts payable	357,656	3,816	361,472
Salaries and benefits payable	1,528,241	44,795	1,573,036
Interest payable	53,567	-	53,567
Deferred revenue:			
Succeeding year property tax	4,159,586	-	4,159,586
Other	312,429	-	312,429
Unearned revenue	-	7,804	7,804
Long-term liabilities:			
Portion due within one year:			
Bonds payable	235,000	-	235,000
Revenue bonds payable	500,411	-	500,411
Capital lease payable	14,480	-	14,480
Scoreboard lease payable	3,444	-	3,444
Early retirement payable	173,107	-	173,107
Compensated absences payable	116,087	-	116,087
Portion due after one year:			
Bonds payable	1,370,000	-	1,370,000
Revenue bonds payable	1,721,885	-	1,721,885
Capital lease payable	7,585	-	7,585
Scoreboard lease payable	3,736	-	3,736
Early retirement payable	363,433	-	363,433
TOTAL LIABILITIES	10,920,647	56,415	10,977,062
NET ASSETS			
Invested in capital assets, net of related debt	5,160,732	67,967	5,228,699
Restricted for:			
Categorical funding	545,447	-	545,447
Debt service	752,765	-	752,765
Capital projects	290,771	-	290,771
Physical plant and equipment levy	121,071	-	121,071
Other special revenue purposes	307,496	-	307,496
Unrestricted	(922,072)	81,930	(840,142)
TOTAL NET ASSETS	\$ 6,256,210	149,897	6,406,107

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government		Total
				Governmental Activities	Business Type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 5,987,379	388,853	2,021,833	(3,576,693)	-	(3,576,693)
Special	1,962,367	24,962	394,472	(1,542,933)	-	(1,542,933)
Other	2,259,880	259,400	417,233	(1,583,247)	-	(1,583,247)
	10,209,626	673,215	2,833,538	(6,702,873)	-	(6,702,873)
Support services:						
Student	465,003	-	-	(465,003)	-	(465,003)
Instructional staff	375,553	-	-	(375,553)	-	(375,553)
Administration	1,498,419	-	-	(1,498,419)	-	(1,498,419)
Operation and maintenance of plant	1,264,525	-	-	(1,264,525)	-	(1,264,525)
Transportation	619,519	5,388	-	(614,131)	-	(614,131)
	4,223,019	5,388	-	(4,217,631)	-	(4,217,631)
Other expenditures:						
Facilities acquisitions	172,200	-	1,172	(171,028)	-	(171,028)
Long-term debt interest	174,400	-	-	(174,400)	-	(174,400)
AEA flowthrough	598,651	-	598,651	-	-	-
Depreciation(unallocated)*	327,640	-	-	(327,640)	-	(327,640)
	1,272,891	-	599,823	(673,068)	-	(673,068)
Total governmental activities	15,705,536	678,603	3,433,361	(11,593,572)	-	(11,593,572)
Business Type activities:						
Support services:						
Administration	3,955	-	-	-	(3,955)	(3,955)
Operation and maintenance of plant	7,708	-	-	-	(7,708)	(7,708)
Transportation	2,850	-	-	-	(2,850)	(2,850)
Non-instructional programs:						
Food service operations	623,899	251,060	428,628	-	55,789	55,789
Total business type activities	638,412	251,060	428,628	-	41,276	41,276
Total primary government	\$ 16,343,948	929,663	3,861,989	(11,593,572)	41,276	(11,552,296)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,314,969	-	3,314,969
Debt service				248,463	-	248,463
Capital outlay				196,530	-	196,530
Income surtax				206,304	-	206,304
Statewide sales and services tax				906,166	-	906,166
City sales and services tax				94,633	-	94,633
Unrestricted state grants				6,918,664	-	6,918,664
Unrestricted investment earnings				81,274	63	81,337
Other general revenues				227,588	-	227,588
Transfers				(5,943)	-	(5,943)
Total general revenues				12,188,648	63	12,188,711
Changes in net assets before transfers				595,076	41,339	636,415
Transfers				-	-	-
Changes in net assets				595,076	41,339	636,415
Net assets beginning of year				5,661,134	108,558	5,769,692
Net assets end of year				\$ 6,256,210	149,897	6,406,107

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental	Total
ASSETS					
Cash and pooled investments.					
Other	\$ 1,380,593	102,658	746,290	723,147	2,952,688
Receivables:					
Property tax					
Delinquent	78,763	5,121	6,475	8,667	99,026
Succeeding year	3,174,708	519,425	145,453	320,000	4,159,586
Income surtax	96,996	96,996	-	-	193,992
Accounts	1,119	-	-	670	1,789
Due from other governments	364,450	-	-	160,049	524,499
TOTAL ASSETS	\$ 5,096,629	724,200	898,218	1,212,533	7,931,580
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 243,240	83,704	-	30,712	357,656
Salaries and benefits payable	1,528,241	-	-	-	1,528,241
Deferred revenue:					
Succeeding year property tax	3,174,708	519,425	145,453	320,000	4,159,586
Income surtax	96,996	96,996	-	-	193,992
Other	312,429	-	-	-	312,429
Total liabilities	5,355,614	700,125	145,453	350,712	6,551,904
Fund balances:					
Reserved for:					
Categorical funding	545,447	-	-	-	545,447
Debt service	-	-	752,765	-	752,765
Unreserved	(804,432)	24,075	-	861,821	81,464
Total fund balances	(258,985)	24,075	752,765	861,821	1,379,676
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,096,629	724,200	898,218	1,212,533	7,931,580

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds(page 20)	\$	1,379,676
 <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.		9,017,273
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.		(53,567)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		193,992
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		228,004
Long-term liabilities, including bonds payable, capital lease payable, early retirement payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,509,168)</u>
Net assets of governmental activities(page 18)	\$	<u><u>6,256,210</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,082,955	293,122	248,463	1,234,772	4,859,312
Tuition	341,991	-	-	-	341,991
Other	371,684	338	2,647	325,390	700,059
Intermediate sources	-	-	-	94,633	94,633
State sources	8,543,038	187	236	317	8,543,778
Federal sources	1,750,414	1,692	657	899	1,753,662
Total revenues	<u>14,090,082</u>	<u>295,339</u>	<u>252,003</u>	<u>1,656,011</u>	<u>16,293,435</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,731,840	22,559	-	177,069	5,931,468
Special	1,969,170	-	-	5,383	1,974,553
Other	1,922,370	-	-	339,350	2,261,720
	<u>9,623,380</u>	<u>22,559</u>	<u>-</u>	<u>521,802</u>	<u>10,167,741</u>
Support services:					
Student	469,265	-	-	-	469,265
Instructional staff	324,327	57,497	-	-	381,824
Administration	1,372,911	-	-	119,413	1,492,324
Operation and maintenance of plant	1,195,526	-	-	55,795	1,251,321
Transportation	496,279	179,556	-	17,891	693,726
	<u>3,858,308</u>	<u>237,053</u>	<u>-</u>	<u>193,099</u>	<u>4,288,460</u>
Other expenditures:					
Facilities acquisitions	-	100,411	-	422,549	522,960
Long-term debt:					
Principal	-	-	774,353	-	774,353
Interest and fiscal charges	-	-	185,984	-	185,984
AEA flowthrough	598,651	-	-	-	598,651
	<u>598,651</u>	<u>100,411</u>	<u>960,337</u>	<u>422,549</u>	<u>2,081,948</u>
Total expenditures	<u>14,080,339</u>	<u>360,023</u>	<u>960,337</u>	<u>1,137,450</u>	<u>16,538,149</u>
Excess(deficiency) of revenues over(under) expenditures	9,743	(64,684)	(708,334)	518,561	(244,714)
Other financing sources(uses):					
Proceeds from lease purchase	-	-	-	11,075	11,075
Transfers in	10,790	53,422	658,692	404,969	1,127,873
Transfers out	(15,449)	(17,471)	-	(1,100,896)	(1,133,816)
Total other financing sources(uses)	<u>(4,659)</u>	<u>35,951</u>	<u>658,692</u>	<u>(684,852)</u>	<u>5,132</u>
Net change in fund balances	5,084	(28,733)	(49,642)	(166,291)	(239,582)
Fund balances beginning of year	(264,069)	52,808	802,407	1,028,112	1,619,258
Fund balances end of year	<u>\$ (258,985)</u>	<u>24,075</u>	<u>752,765</u>	<u>861,821</u>	<u>1,379,676</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds(page 22) \$ (239,582)

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

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

Capital outlays	\$ 547,961	
Depreciation expense	<u>(500,489)</u>	47,472

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 774,353

Current year repayments exceeded issues, as follows:
 Issued (11,075)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 11,584

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 13,120

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(110,784)	
Compensated absences	(195)	
Other postemployment benefits	<u>110,183</u>	<u>(796)</u>

Changes in net assets of governmental activities(page 19) \$ 595,076

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

	School Nutrition
<u>ASSETS</u>	
Current assets:	
Cash and pooled investments	\$ 117,396
Accounts receivable	174
Inventories	14,623
Total current assets	132,193
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	67,967
Net OPEB asset	6,152
Total non-current assets	74,119
TOTAL ASSETS	206,312
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	3,816
Salaries and benefits payable	44,795
Unearned revenue	7,804
TOTAL LIABILITIES	56,415
<u>NET ASSETS</u>	
Invested in capital assets	67,967
Unrestricted	81,930
Total net assets	\$ 149,897

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 251,060
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	1,709
Supplies	2,070
Other	176
	3,955
Operation and maintenance of plant:	
Services	7,708
Transportation:	
Services	366
Supplies	2,484
	2,850
Total support services	14,513
Non-instructional programs:	
Food service operations:	
Salaries	244,652
Benefits	68,587
Services	3,315
Supplies	294,569
Depreciation	12,776
Total non-instructional programs	623,899
TOTAL OPERATING EXPENSES	638,412
OPERATING LOSS	(387,352)
NON-OPERATING REVENUES:	
State sources	6,684
Federal sources	421,944
Interest on investments	63
TOTAL NON-OPERATING REVENUES	428,691
Change in net assets	41,339
Net assets beginning of year	108,558
Net assets end of year	\$ 149,897

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 245,998
Cash received from miscellaneous sources	4,233
Cash payments to employees for services	(312,885)
Cash payments to suppliers for goods or services	<u>(280,696)</u>
Net cash used in operating activities	<u>(343,350)</u>
Cash flows from non-capital financing activities:	
State grants received	6,684
Federal grants received	<u>378,843</u>
Net cash provided by non-capital financing activities	<u>385,527</u>
Cash flows from capital and related financing activities:	
Disposal of capital assets	<u>61</u>
Net cash provided by capital and related financing activities	<u>61</u>
Cash flows from investing activities:	
Interest on investments	<u>63</u>
Net cash provided by investing activities	<u>63</u>
Net increase in cash and cash equivalents	42,301
Cash and cash equivalents at beginning of year	<u>75,095</u>
Cash and cash equivalents at end of year	<u>\$ 117,396</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2010

	School Nutrition
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (387,352)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	43,101
Depreciation	12,776
Increase in inventories	(6,484)
Increase in accounts receivable	(113)
Decrease in accounts payable	(4,916)
Increase in salaries and benefits payable	3,327
Decrease in unearned revenue	(716)
Increase in other postemployment benefits asset	(2,973)
Net cash used in operating activities	\$ (343,350)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$43,101.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 356,092
Total assets	<u>356,092</u>
LIABILITIES	
	<u>-</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 356,092</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2010

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	2,895
Interest income		1,721
Total additions		4,616
Deductions:		
Instruction:		
Regular instruction:		
Scholarships awarded		7,876
Total deductions		7,876
Change in net assets before other financing sources		(3,260)
Other financing sources:		
Transfers in		5,943
Change in net assets		2,683
Net assets beginning of year		353,409
Net assets end of year	\$	356,092

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

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

The District also reports the following proprietary fund:

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

The District also reports the following fiduciary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

The District maintains its financial records on the accrual basis.

D. Assets, Liabilities and Fund Equity

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	2,500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50 years
Land improvements	20 years
Intangible assets	2-10 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2010, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2010.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if

they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

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

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 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 \$113 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Note 3. Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Nonmajor Capital Projects: Statewide Sales and Services Tax	\$ 589,688
Debt Service	Nonmajor Capital Projects: City Sales and Services Tax	49,501
Debt Service	General Fund	15,449
General Fund	Nonmajor Special Revenue: Student Activity Fund	10,790
Nonmajor Capital Projects: Statewide Sales and Services Tax	Physical Plant and Equipment Levy	17,471
Nonmajor Capital Projects: Statewide Sales and Services Tax	Nonmajor Capital Projects: Statewide Sales and Services Tax	387,498
Physical Plant and Equipment Levy	Nonmajor Capital Projects: Statewide Sales and Services Tax	53,422
Student Activity Fund	Debt Service	4,054
Fiduciary Trust Fund	Special Revenue Trust Fund	<u>5,943</u>
Total		<u>\$ 1,133,816</u>

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

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

The Nonmajor Capital Projects, City Sales and Services Tax Fund is transferring money to finance the revenue bond payments made from the Debt Service Fund.

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

The Nonmajor Special Revenue Fund, Student Activity Fund is transferring money to cover the cost of fieldtrips made by the General Fund.

The Physical Plant and Equipment Levy Fund is transferring money to finance the locker room project paid from the Capital Projects Fund.

The Nonmajor Capital Projects, Statewide Sales and Services Tax Fund is transferring money to finance the locker room project made from the Nonmajor Capital Projects, Statewide Sales and Services Tax Fund.

The Physical Plant and Equipment Levy Fund is transferring money for expenses paid from the Nonmajor Capital Projects, Statewide Sales and Service Tax Fund.

The Student Activity Fund is transferring money to finance the scoreboard lease debt payments made from the Debt Service Fund.

The Private Purpose Trust Fund is transferring money to move Trust money to the Other Private Purpose Trust Fund.

Note 4. Iowa School Cash Anticipation Program (ISCAP)

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

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 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%. 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	Interest Payable
2009-10A	6/25/09	6/23/10	\$ -	\$ 1,900,000	\$ 1,900,000	\$ -	\$ -

During the year ended June 30, 2010, the District paid \$19,264 of interest on the ISCAP warrants.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	-	-	204,400
Total capital assets not being depreciated	204,400	-	-	204,400
Capital assets being depreciated:				
Buildings	14,550,713	350,760	-	14,901,473
Land improvements	454,021	-	-	454,021
Machinery and equipment	2,507,881	247,149	49,948	2,705,082
Total capital assets being depreciated	17,512,615	597,909	49,948	18,060,576
Less accumulated depreciation for:				
Buildings	6,326,154	304,939	-	6,631,093
Land improvements	244,770	22,701	-	267,471
Machinery and equipment	2,176,290	222,797	49,948	2,349,139
Total accumulated depreciation	8,747,214	550,437	49,948	9,247,703
Total capital assets being depreciated, net	8,765,401	47,472	-	8,812,873
Governmental activities capital assets, net	\$ 8,969,801	47,472	-	9,017,273

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 257,088	-	739	256,349
Less accumulated depreciation	176,284	12,776	678	188,382
Business type activities capital assets, net	<u>\$ 80,804</u>	<u>12,776</u>	<u>61</u>	<u>67,967</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Regular instruction	\$ 134,507
Transportation	88,290
	<u>222,797</u>
Unallocated depreciation	<u>327,640</u>
Total governmental activities depreciation expense	<u>\$ 550,437</u>
Business type activities:	
Food services	<u>\$ 12,776</u>

Note 6. Long-Term Debt

A summary of changes in long-term debt for governmental activities for the year ended June 30, 2010 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,835,000	\$ -	\$ 230,000	\$ 1,605,000	\$ 235,000
Revenue Bonds	2,749,149	-	526,853	2,222,296	500,411
Capital Leases	35,670	-	13,605	22,065	14,480
Scoreboard Lease	-	11,075	3,895	7,180	3,444
Early Retirement	425,756	279,890	169,106	536,540	173,107
Compensated Absences	115,892	81,177	80,982	116,087	116,087
Total	<u>\$ 5,161,467</u>	<u>\$ 372,142</u>	<u>\$ 1,024,441</u>	<u>\$ 4,509,168</u>	<u>\$ 1,042,529</u>

Bonded debt

On July 1, 2004 the District issued general obligation bonds of \$4,000,000 for capital facility construction. The General Obligation Bonds will be paid with property taxes collected in the Debt Service Fund. Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004				
	Rate	Principal	Interest	Total	
2011	5.00 %	\$ 235,000	60,452	295,452	
2012	5.00	250,000	51,053	301,053	
2013	5.00	265,000	41,052	306,052	
2014	5.00	275,000	31,645	306,645	
2015	5.00	285,000	21,608	306,608	
2016	5.00	295,000	11,062	306,062	
Total		<u>\$ 1,605,000</u>	<u>\$ 216,872</u>	<u>\$ 1,821,872</u>	

On December 10, 2004, the District issued statewide sales and service tax revenue bonds of \$2,000,000 for capital facility construction. On July 1, 2006, the District issued statewide sales and service tax revenue bonds of \$2,370,000 for capital facility construction. The revenue bonds will be paid with statewide and city sales and services taxes collected in the Capital Projects Fund. Details of the District's June 30, 2010 statewide and city sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 10, 2004			Bond Issue of July 1, 2006		
	Rate	Principal	Interest	Rate	Principal	Interest
2011	4.22 %	\$ 265,411	24,853	4.25-4.30 %	\$ 235,000	68,776
2012	4.22	276,731	13,534	4.30-4.40	245,000	58,592
2013	4.22	70,154	2,373	4.40-4.45	335,000	47,652
2014	-	-	-	4.45-4.50	495,000	30,998
2015	-	-	-	4.50	300,000	6,750
Total		<u>\$ 612,296</u>	<u>\$ 40,760</u>		<u>\$ 1,610,000</u>	<u>\$ 212,768</u>
Year Ending June 30,	Total					
	Principal	Interest	Total			
2011	500,411	93,629	594,040			
2012	521,731	72,126	593,857			
2013	405,154	50,025	455,179			
2014	495,000	30,998	525,998			
2015	300,000	6,750	306,750			
Total	<u>\$ 2,222,296</u>	<u>\$ 253,528</u>	<u>\$ 2,475,824</u>			

The District has pledged future local option sales and services tax revenues to repay the \$4,370,000. The bonds are payable solely from the proceeds of the statewide and city sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2015. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$2,518,141. For the current year \$526,853 in principal and \$113,529 in interest was paid on the bonds and total statewide and city sales and services tax revenues were \$906,166.

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

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

Capital Lease

During the year ended June 30, 2007, the District entered into an agreement to lease office equipment for \$65,250. The capital loan notes are payable from the General Fund. Details of the District's June 30, 2010 capital loan notes indebtedness are as follows:

Year Ending June 30,	Capital Lease of January 22, 2007			
	Rate	Principal	Interest	Total
2011	6.25 %	\$ 14,480	969	15,449
2012	6.25	7,585	139	7,724
Total		<u>\$ 22,065</u>	<u>\$ 1,108</u>	<u>\$ 23,173</u>

Scoreboard Lease

During the year ended June 30, 2010, the District entered into an agreement to lease a scoreboard for \$11,075. The capital lease is payable from the Special Revenue, Student Activity Fund. Details of the District's June 30, 2010 capital lease indebtedness is as follows:

Year Ending June 30,	Scoreboard Lease April 1, 2010			
	Rate	Principal	Interest	Total
2011	8.50 %	\$ 3,444	610	4,054
2012	8.50	3,736	318	4,054
Total		<u>\$ 7,180</u>	<u>\$ 928</u>	<u>\$ 8,108</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to, 1) the full monthly cost of single medical insurance for the District's plan, 2) the full monthly cost of single medical insurance of the middle deductible plan, or 3) a predetermined amount based upon age and years of service is given to the retiree to purchase health insurance, until the month the retiree attains the age of 65. Early retirement benefits paid during the year ended June 30, 2010, totaled \$169,106. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

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

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

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

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

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

Annual required contribution	\$ 177,000
Interest on net OPEB obligation	(5,445)
Adjustment to annual required contribution	7,289
Annual OPEB cost	<u>178,844</u>
Contributions made	<u>(292,000)</u>
Decrease in net OPEB obligation	(113,156)
Net OPEB obligation beginning of year	<u>(121,000)</u>
Net OPEB obligation end of year	<u><u>\$ (234,156)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$292,000 to the medical plan. Plan members eligible for benefits contributed \$292,000, or 50% 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	\$ 178,844	163.27%	(\$ 234,156)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2010, the actuarial accrued liability was \$2,126,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,126,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,002,429, and the ratio of the UAAL to covered payroll was 26.6%. As of June 30, 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

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

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$651,716, \$615,232 and \$563,955 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Centerville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$598,651 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.

Note 11. 28E Agreements

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

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

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

Note 12. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
LEP Weighting	\$ 2,430
Gifted and Talented	13,241
At-risk dropout prevention	29,713
Four-year-old preschool	241,743
Beginning teacher mentoring and induction program	11,266
Salary improvement program	77,743
Professional development	5,996
At-risk Innovative K-3	561
Educator quality, model core curriculum	51,883
Educator quality, professional development	103,754
Educator quality, market factor	7,117
Total reserved for categorical funding	<u>\$ 545,447</u>

Note 13. Deficit Fund Balances and Net Assets

The District had a deficit unreserved fund balance in the General Fund of \$804,432. The District also had a deficit fund balance of \$16,968 in the High School Construction - Capital Projects Fund. The District had a deficit unrestricted net assets of \$922,072 in the governmental activities.

Required Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,901,362	251,123	6,152,485	6,189,173	6,189,173	(36,688)
Intermediate sources	94,633	-	94,633	76,200	76,200	18,433
State sources	8,543,778	6,684	8,550,462	10,955,611	10,955,611	(2,405,149)
Federal sources	1,753,662	421,944	2,175,606	1,478,000	1,478,000	697,606
Total revenues	16,293,435	679,751	16,973,186	18,698,984	18,698,984	(1,725,798)
Expenditures/Expenses:						
Instruction	10,167,741	-	10,167,741	10,831,525	10,831,525	663,784
Support services	4,288,460	14,513	4,302,973	4,652,165	4,652,165	349,192
Non-instructional programs	-	624,269	624,269	670,000	690,000	65,731
Other expenditures	2,081,948	-	2,081,948	1,831,646	2,350,000	268,052
Total expenditures/expenses	16,538,149	638,782	17,176,931	17,985,336	18,523,690	1,346,759
Excess(deficiency) of revenues over(under) expenditures/expenses	(244,714)	40,969	(203,745)	713,648	175,294	(379,039)
Other financing sources, net	5,132	-	5,132	-	-	5,132
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(239,582)	40,969	(198,613)	713,648	175,294	(373,907)
Balance beginning of year	1,619,258	108,558	1,727,816	1,161,977	1,161,977	565,839
Balance end of year	\$ 1,379,676	149,527	1,529,203	1,875,625	1,337,271	191,932

CENTERVILLE 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$538,354.

CENTERVILLE 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0%	\$ 8,002,429	26.6%
2010	July 1, 2009	\$ -	\$ 2,126,000	\$ 2,126,000	0.0%	\$ 9,868,925	21.5%

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

Other Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 255,595	202,198	113,494	571,287
Receivables:				
Property tax:				
Delinquent	8,667	-	-	8,667
Succeeding year	320,000	-	-	320,000
Accounts	-	670	-	670
Due from other governments	-	1,195	-	1,195
TOTAL ASSETS	\$ 584,262	204,063	113,494	901,819
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 708	10,061	-	10,769
Deferred revenue:				
Succeeding year property tax	320,000	-	-	320,000
Total liabilities	320,708	10,061	-	330,769
Unreserved fund balances	263,554	194,002	113,494	571,050
	263,554	194,002	113,494	571,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 584,262	204,063	113,494	901,819

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 1

High School Construction	Statewide Sales and Services Tax	City Sales and Services Tax	Total Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	95,063	56,797	151,860	723,147
			-	
			-	
-	-	-	-	8,667
-	-	-	-	320,000
-	-	-	-	670
-	145,615	13,239	158,854	160,049
<u>\$ -</u>	<u>240,678</u>	<u>70,036</u>	<u>310,714</u>	<u>1,212,533</u>
\$ 16,968	2,975	-	19,943	30,712
-	-	-	-	320,000
<u>16,968</u>	<u>2,975</u>	<u>-</u>	<u>19,943</u>	<u>350,712</u>
(16,968)	237,703	70,036	290,771	861,821
<u>(16,968)</u>	<u>237,703</u>	<u>70,036</u>	<u>290,771</u>	<u>861,821</u>
<u>\$ -</u>	<u>240,678</u>	<u>70,036</u>	<u>310,714</u>	<u>1,212,533</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2010

	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 328,606	-	-	328,606
Other	23,603	293,784	7,575	324,962
Intermediate sources	-	-	-	-
State sources	317	-	-	317
Federal sources	899	-	-	899
TOTAL REVENUES	353,425	293,784	7,575	654,784
EXPENDITURES:				
Current:				
Instruction				
Regular	152,155	-	3,456	155,611
Special	5,383	-	-	5,383
Other	5,383	333,967	-	339,350
Support services:				
Administration	119,413	-	-	119,413
Operation and maintenance of plant	55,795	-	-	55,795
Transportation	17,891	-	-	17,891
Other expenditures:				
Facilities acquisition	-	-	-	-
TOTAL EXPENDITURES	356,020	333,967	3,456	693,443
Excess(deficiency) of revenues over(under) expenditures	(2,595)	(40,183)	4,119	(38,659)
OTHER FINANCING SOURCES(USES):				
Proceeds from lease purchases	-	11,075	-	11,075
Transfer in	-	-	-	-
Transfer out	-	(14,844)	(5,943)	(20,787)
Total other financing sources(uses)	-	(3,769)	(5,943)	(9,712)
Net change in fund balances	(2,595)	(43,952)	(1,824)	(48,371)
FUND BALANCES BEGINNING OF YEAR	266,149	237,954	115,318	619,421
FUND BALANCES END OF YEAR	\$ 263,554	194,002	113,494	571,050

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

High School Construction	Statewide Sales and Services Tax	City Sales and Services Tax	Total Capital Projects Funds	Total Nonmajor Governmental Funds
-	906,166	-	906,166	1,234,772
-	303	125	428	325,390
-	-	94,633	94,633	94,633
-	-	-	-	317
-	-	-	-	899
-	906,469	94,758	1,001,227	1,656,011
-	21,458	-	21,458	177,069
-	-	-	-	5,383
-	-	-	-	339,350
-	-	-	-	119,413
-	-	-	-	55,795
-	-	-	-	17,891
-	-	-	-	-
421,937	612	-	422,549	422,549
421,937	22,070	-	444,007	1,137,450
(421,937)	884,399	94,758	557,220	518,561
-	-	-	-	11,075
404,969	-	-	404,969	404,969
-	(1,030,608)	(49,501)	(1,080,109)	(1,100,896)
404,969	(1,030,608)	(49,501)	(675,140)	(684,852)
(16,968)	(146,209)	45,257	(117,920)	(166,291)
-	383,912	24,779	408,691	1,028,112
(16,968)	237,703	70,036	290,771	861,821

CENTERVILLE 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
GENERAL ATHLETICS	\$ 11,839	-	(4,299)	16,138
HIGH SCHOOL GENERAL ACCOUNT	3,999	1,736	2,662	3,073
THESPIAN	5,130	6,555	4,242	7,443
SPEECH	360	2,480	2,630	210
VOCAL MUSIC CONCERT ADMISSIONS	6,142	3,269	2,335	7,076
VOCAL MUSIC	529	-	222	307
K-3 VOCAL MUSIC	91	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	269	2,014	2,125	158
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	-	6,303	6,303	-
JUNIOR HIGH INSTRUMENTAL MUSIC	400	1,049	1,066	383
LAKEVIEW INSTRUMENTAL MUSIC	568	1,276	1,316	528
HIGH SCHOOL JAZZ BANK	78	-	-	78
HIGH SCHOOL INSTRUMENTAL MUSIC	772	3,760	4,532	-
JUNIOR HIGH ATHLETICS	16,324	12,065	14,720	13,669
BOYS CROSS COUNTRY	765	625	657	733
GIRLS CROSS COUNTRY	730	490	487	733
BOYS BASKET BALL	3,035	8,313	8,548	2,800
FOOTBALL	19,729	46,961	58,350	8,340
BOYS SOCCER	1,065	1,444	1,444	1,065
BASEBALL	5,153	6,612	6,596	5,169
BOYS TRACK	150	3,349	2,184	1,315
BOYS TENNIS	500	59	59	500
BOYS GOLF	925	341	411	855
WRESTLING	2,570	8,241	7,950	2,861
GIRLS BASKETBALL	2,500	6,451	6,466	2,485
VOLLEYBALL	10,217	7,837	14,754	3,300
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	596
GIRLS SOCCER	1,136	1,433	1,879	690
SOFTBALL	4,789	8,952	7,469	6,272
GIRLS TRACK	1,327	2,229	2,655	901
GIRLS TENNIS	665	724	1,018	371
GIRLS GOLF	800	450	270	980
ACTIVITY TICKET	29,304	21,546	35,278	15,572
K-3 GENERAL ACCOUNT	604	-	-	604
CENTRAL ELEMENTARY ACTIVITY	5,171	-	5,171	-
CENTRAL POP	955	457	303	1,109
CINCINNATI ACTIVITY	1,442	-	1,442	-
CINCINNATI POP	263	89	122	230
GARFIELD ACTIVITY	1,322	-	1,322	-
GARFIELD POP	911	31	-	942
LINCOLN ACTIVITY	1,000	-	1,000	-
LINCOLN POP	150	-	-	150

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2010

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
MYSTIC ACTIVITY	\$ 1,855	-	1,855	-
LAKEVIEW ACTIVITY	8,041	11,470	9,584	9,927
LAKEVIEW POP	1,460	-	280	1,180
JUNIOR HIGH ACTIVITY	23,543	20,990	19,599	24,934
AMERI-CORPS	725	-	-	725
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	545	-	-	545
PRESCHOOL BUILDING ACTIVITY	151	-	-	151
HIGH SCHOOL BIG RED DINER	396	1,776	1,907	265
HIGH SCHOOL YEARBOOK	4,103	7,899	10,224	1,778
HIGH SCHOOL GRADUATION	697	2,870	3,567	-
HIGH SCHOOL SCIENCE CLUB	89	-	-	89
FCCLA	-	3,679	2,871	808
FFA	8,429	23,559	24,475	7,513
NATIONAL HONOR SOCIETY	416	1,370	1,275	511
HIGH SCHOOL CHEERLEADERS	865	297	564	598
STUDENT COUNCIL	19,800	20,179	25,991	13,988
SOCIAL SCIENCE	289	-	-	289
OFFICE EDUCATION	130	26	90	66
STUDENT IOWEGIAN	27	-	-	27
SPANISH CLUB	959	-	-	959
TRAP SHOOTING	493	-	142	351
WEIGHT ROOM	1,604	1,429	1,625	1,408
MAT CLUB - WRESTLING	150	-	-	150
CLASS OF 2007	468	-	306	162
CLASS OF 2008	523	-	-	523
CLASS OF 2009	1,998	-	-	1,998
CLASS OF 2010	2,021	20	513	1,528
CLASS OF 2011	-	2,870	1,335	1,535
CLASS OF 2012	-	-	-	-
ATHLETIC BOOSTER CLUB	13,502	27,636	27,271	13,867
LICENSES AND PERMITS	-	194	194	-
SCHOOL PROMOTIONS	400	-	-	400
INTEREST	-	379	379	-
TOTALS	\$ 237,954	293,784	337,736	194,002

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS

YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
MARK TRAXEL MEMORIAL	\$ 2,114	5	-	2,119
KIRKPATRICK MEMORIAL	1,267	-	1,267	-
RAY MILLER MEMORIAL	1,719	8	-	1,727
ELGIN MEMORIAL	8,555	40	-	8,595
LORETTA KAUZLARICH MEMORIAL	-	-	-	-
RUGGLES MATH AND SCIENCE CETER	93,516	187	-	93,703
CLYDE AND VIRGINIA CARNEY MEMORIAL	8,147	7,335	8,132	7,350
TOTALS	\$ 115,318	7,575	9,399	113,494

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS

YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 2,340	6	500	1,846
ORVILLE BUTLER	1,179	304	-	1,483
CLASS OF 1949	23,772	1,153	1,000	23,925
DON WHISLER MEMORIAL SCHOLARSHIP	5,362	12	-	5,374
KENNETH ELGIN SCHOLARSHIP	135,403	436	3,000	132,839
FCCLA SCHOLARSHIP	995	3	-	998
ROY LIVENGOOD MEMORIAL SCHOLARSHIP	359	271	300	330
ROBERT HARL MEMORIAL SCHOLARSHIP	121	-	-	121
HARRY L DUKES MEMORIAL	380	1	-	381
CLASS OF 1958	1,502	5	-	1,507
JAMES MCDONALD MEMORIAL SCHOLARSHIP	200	-	200	-
GOWER-VOXMAN SCHOLARSHIP	2,486	9	-	2,495
DR. F.B. LEFFERT SCHOLARSHIP	28,408	74	400	28,082
VIDAS SCHOLARSHIP	1,545	3	500	1,048
COLLEEN COOK SCHOLARSHIP	75,297	199	1,310	74,186
GERALD FOSTER MEORIAL	21,909	71	166	21,814
DANA MIRITZ SCHOLARSHIP	20,010	1,317	500	20,827
CLYDE AND VIRGINIA CARNEY MEMORIAL	32,141	6,695	-	38,836
TOTALS	\$ 353,409	10,559	7,876	356,092

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

FOR THE LAST TEN YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2010	2009	2008	2007	2006
Revenues:					
Local sources:					
Local tax	\$ 4,859,312	5,008,198	5,028,774	4,782,673	4,707,887
Tuition	341,991	375,371	387,318	388,623	431,633
Other	700,059	813,063	819,125	1,004,363	739,564
Intermediate sources	94,633	103,956	-	-	-
State sources	8,543,778	9,374,751	8,764,929	8,301,430	7,929,782
Federal sources	1,753,662	846,605	745,151	859,871	1,032,745
Total	\$ 16,293,435	16,521,944	15,745,297	15,336,960	14,841,611
Expenditures:					
Instruction:					
Regular	\$ 5,931,468	6,045,534	5,468,317	5,650,425	5,489,650
Special	1,974,553	2,125,759	2,155,219	2,595,201	2,473,743
Other	2,261,720	1,841,721	1,873,705	860,778	890,882
Support services:					
Student	469,265	464,385	379,594	366,232	379,001
Instructional staff	381,824	334,034	325,223	269,539	419,460
Administration	1,492,324	1,594,030	1,493,600	1,497,455	1,283,478
Operation and maintenance of plant	1,251,321	1,344,067	1,460,401	1,492,753	1,316,773
Transportation	693,726	645,995	580,598	582,836	546,251
Non-instructional programs	-	-	-	-	13,834
Other expenditures:					
Facilities acquisitions	522,960	146,342	858,845	2,336,795	1,034,504
Long-term debt:					
Principal	774,353	772,414	699,283	596,595	418,668
Interest and other charges	185,984	199,292	244,297	250,448	229,088
AEA flow-through	598,651	529,695	507,613	492,942	465,155
Total	\$ 16,538,149	16,043,268	16,046,695	16,991,999	14,960,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 6

Modified Accrual Basis				
Years Ended June 30,				
2005	2004	2003	2002	2001
4,210,359	3,548,519	3,595,752	3,363,475	3,171,179
255,975	318,551	226,866	276,429	317,633
942,469	797,036	773,121	766,670	735,649
-	-	-	-	-
7,828,394	7,731,425	7,740,582	8,783,285	7,672,577
949,831	942,686	688,282	598,159	707,561
<u>14,187,028</u>	<u>13,338,217</u>	<u>13,024,603</u>	<u>13,788,018</u>	<u>12,604,599</u>
5,486,876	5,569,309	5,665,289	5,255,466	4,988,026
2,578,875	2,585,388	2,802,256	2,528,203	2,446,800
946,480	923,240	226,352	938,309	946,900
473,602	455,113	364,208	379,837	356,230
368,937	258,357	287,205	289,498	324,281
1,035,581	1,052,848	925,776	844,327	725,310
1,286,968	1,235,016	1,211,234	1,156,362	1,648,543
642,588	561,021	608,447	499,231	533,038
25,978	34,413	42,385	21,341	11,933
1,975,031	584,523	931,992	63,087	100,885
222,000	189,000	191,000	333,000	180,811
155,640	165,683	177,989	192,827	198,282
464,456	472,458	491,993	494,990	497,175
<u>15,663,012</u>	<u>14,086,369</u>	<u>13,926,126</u>	<u>12,996,478</u>	<u>12,958,214</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 89,295
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	332,149 *
			<u>421,444</u>
TEAM NUTRITION GRANT	10.574	FY 10	<u>500</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES			
	84.010	FY 10	351,784
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.389	FY 10	148,947
			<u>500,731</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATES GRANTS	84.186	FY 10	<u>9,543</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	<u>125,369</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 10	<u>9,744</u>
ARRA - STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>679,074</u>
GREAT PRAIRIE AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 10	<u>23,807</u>
SPECIAL EDUCATION - IDEA CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	83,300
ARRA - SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	117,219
			<u>200,519</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED):			
DEPARTMENT OF DEFENSE:			
APPANOOSE COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 10	<u>1,172</u>
TOTAL			<u>\$ 1,971,903</u>

* - Includes \$43,101 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Centerville 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 on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 5, 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 Centerville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Centerville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 a 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 and II-C-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centerville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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

To the Board of Education of
Centerville Community School District

Compliance

We have audited the compliance of Centerville Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Centerville Community School District's management. Our responsibility is to express an opinion on Centerville Community School District's compliance based on our audit.

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

In our opinion, Centerville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Centerville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Centerville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over compliance.

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 the District's internal control 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 that 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 5, 2011

CENTERVILLE 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) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose 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 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

 - Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program

 - Clustered Programs
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Centerville Community School District did not qualify as a low-risk auditee.

CENTERVILLE 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 reported.

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. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition and Student Activity Funds.

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

Response - The district will attempt, with advice from its auditors, to segregate the duties as much as reasonably possible.

Conclusion - Response accepted.

II-B-10 Timely Deposits - We noted during our audit that two receipts in the Student Activity Fund that were not deposited timely.

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

Response - The district has changed its procedures for summer activities when school is not in session and employees are on vacation to ensure that deposits are made in a timely manner.

Conclusion - Response accepted.

II-C-10 Purchase Orders - We noted during our audit that District does use purchase orders in the purchase process, however, we noted two of the purchase orders in our sample were actually completed after the invoice date.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the 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 the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the 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 the necessary changes mad so that all disbursements are approved by the appropriate administrator, before the ordering of the supplies takes place.

Response - The district will review its purchase order system to ensure district procedures and rules are appropriate and followed by those making purchases.

Conclusion - Response accepted.

CENTERVILLE 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 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
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. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition Fund.

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

Response - The district will attempt, with advice from its auditors, to segregate the duties as much as reasonably possible.

Conclusion - Response accepted.

CENTERVILLE 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 during our audit that the District wrote checks to purchase gift cards from Pizza Hut from the Student Activity Fund, Student Council account. We also noted Homeroom incentives purchased from the Junior High Activity account. These disbursements do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The district will review its incentive program to ensure students donating time to raise funds for school activity programs will not be provided any incentives from the funds they are raising.

Conclusion - Response accepted.

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 are noted as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tim Kaster, Transportation Employee Owner of Tim's Mufflers	Battery and muffler	\$288

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

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 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- IV-I-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-J-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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Statewide sales and services tax revenue	906,166
Interest	303

Expenditures/transfers out:

School infrastructure:		
Buildings	\$ 388,110	
Other improvements	74,880	
Debt service for school infrastructure:		
General obligation debt	62,835	
Revenue debt	526,853	1,052,678
	<hr/>	<hr/>
Ending balance		<u>\$ 237,703</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
	<hr/>	<hr/>
Debt service levy	\$ 0.28380	\$ 62,835
Physical Plant and Equipment Levy	0.77810	172,274

- IV-M-10 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District recorded PSAT revenues in the High School General Activity Account.

Recommendation - It would appear that these moneys are instructional in nature, rather than maintained by a club or organization. Therefore, they need to be recorded in the proper fund where these monies can be expended.

Response - The district will continue to work with the myriad of individuals who receive money on behalf of the school district to help them better understand the coding and uses of the various and frequently changing funds the school uses while not limiting the number of employees who can receive money in the interest of segregation of duties requirements.

Conclusion - Response accepted.

IV-N-10 Lease Agreement in the Student Activity Account – We noted that the District entered into a lease agreement for a scoreboard purchase in the amount of \$11,075 in the Student Activity Fund. There does not appear to be any code section that allows for the Activity Fund to enter into debt, therefore, the loan would appear to be inappropriate.

Recommendation - The District should pay off the loan as soon as possible and refrain from entering into debt in the Student Activity Fund.

Response - The district will implement the auditor's recommendations.

Conclusion - Response accepted.

IV-O-10 PPEL Expenditures - We noted that the District is currently making purchases from Special Revenue, Physical Plant and Equipment Levy(PPEL) Fund and the Capital Projects Fund which do not appear to be in compliance with Chapter 423 and 298 of the Code of Iowa. The questioned costs totaled \$441.85 in the Physical Plant and Equipment Levy and \$21,458.17 in Capital Projects.

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 423 and 298 of the Code of Iowa. We also recommend that a corrective transfer of \$441.85 be made from the General fund to the PPEL fund and \$21,458.17 from the General Fund to the Capital Projects Fund.

Response - The district will make the corrective transfer.

Conclusion - Response accepted.

IV-P-10 Financial Condition - The District had a deficit fund balance in the General Fund of \$258,985. The District had a deficit unreserved fund balance in the General Fund of \$804,432 at June 30, 2010. The District had a deficit fund balance in the High School Construction - Capital Projects Fund of \$16,968 at June 30, 2010. The District had deficit unrestricted net assets in the Governmental Activities of \$922,072 at June 30, 2010.

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

Response - The administration and board will continue to strive to improve its cash balance which has been challenging with the mid-year across the board reductions in state financial aid of over \$850,000 in the past two years and the board's concern with the property tax rate. The district's unused spending authority is in excess of \$2.6 million.

Conclusion - Response accepted.