

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Basic Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	51
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	3	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54
Fiduciary Fund, Private Purpose Trust Accounts:		
Combining Statement of Fiduciary Net Assets	6	55
Combining Statement of Changes in Fiduciary Net Assets	7	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	57
Schedule of Expenditures of Federal Awards	9	58
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 <u>Government Auditing Standards</u>		59-60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-68

Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Scott Millikin	President	2011
Dan Jones	Vice President	2011
Mark Boies	Board Member	2013
Tammy Carolan	Board Member	2013
Carol Engelken	Board Member	2011

**School Officials**

Alan Marshall	Superintendent	2011
Kristy Bruce	District Secretary/ Treasurer	2011
Lynch Dallas Law Firm	Attorney	2011

Center Point - Urbana Community School District

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Center Point-Urbana Community School District, Center Point, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2012 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for five years ending June 30, 2010 and another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for two years ending June 30, 2005 (which are not presented herein) and unqualified opinions were expressed on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2012

---

---

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

---

---

Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,751,798 in fiscal 2010 to \$12,517,177 in fiscal 2011, while General Fund expenditures increased from \$11,237,331 in fiscal 2010 to \$11,289,966 in fiscal 2011. This allowed the District's General Fund balance to increase from \$420,398 in fiscal 2010 to \$1,647,609 in fiscal 2011, a 291.92% increase over the prior year.
- In addition to improving the District's General Fund balance, Center Point-Urbana's Unspent Authorized Budget increased to an estimated \$2,748,193.
- The District's solvency ratio was 9.80% at the end of fiscal 2011.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

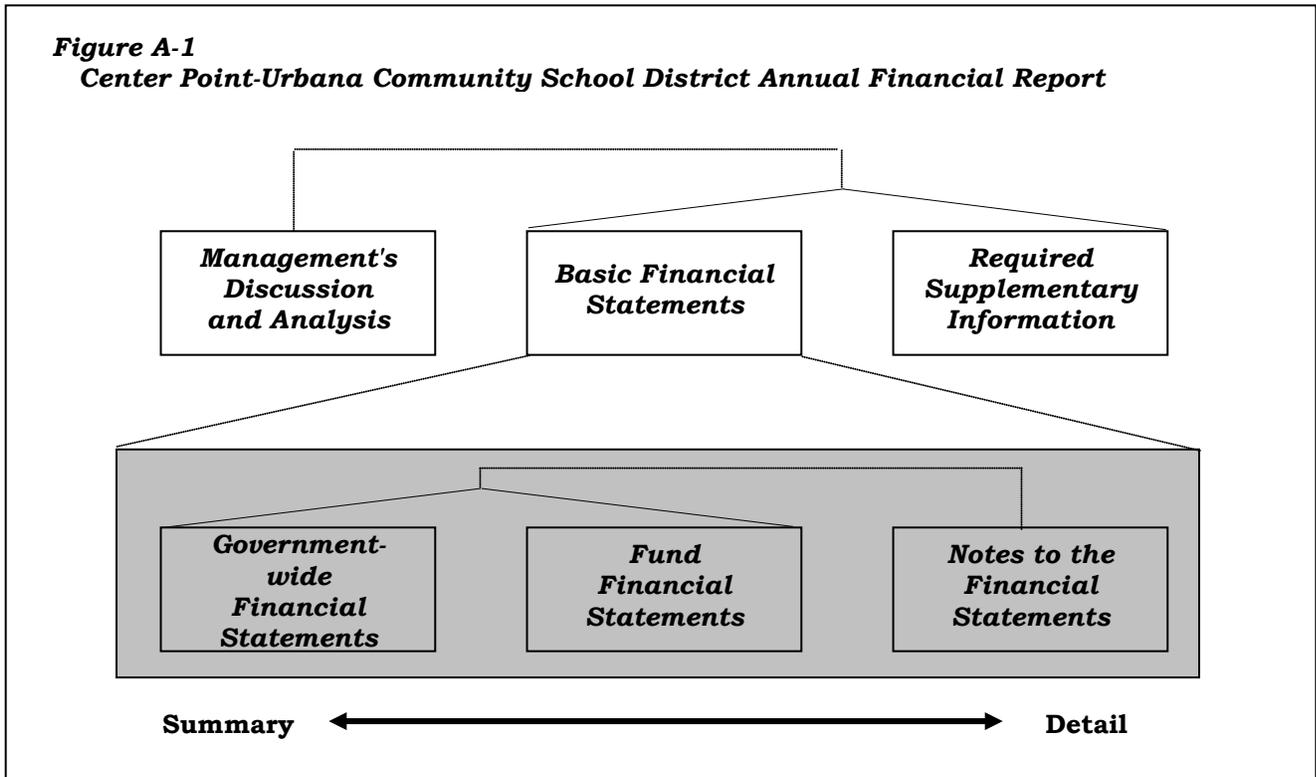


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

---

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 12,170,482	18,621,914	44,482	121,033	12,214,964	18,742,947	-34.83%
Capital assets	22,060,970	10,301,163	217,683	25,574	22,278,653	10,326,737	115.74%
Total assets	34,231,452	28,923,077	262,165	146,607	34,493,617	29,069,684	18.66%
Long-term obligations	19,426,215	18,199,118	1,864	-	19,428,079	18,199,118	6.75%
Other liabilities	7,445,237	5,942,390	57,561	55,951	7,502,798	5,998,341	25.08%
Total liabilities	26,871,452	24,141,508	59,425	55,951	26,930,877	24,197,459	11.30%
Net assets:							
Invested in capital assets, net of related debt	2,920,970	1,501,564	217,683	25,574	3,138,653	1,527,138	105.53%
Restricted	3,306,449	3,305,025	-	-	3,306,449	3,305,025	0.04%
Unrestricted	1,132,581	(25,020)	(14,943)	65,082	1,117,638	40,062	2689.77%
Total net assets	\$ 7,360,000	4,781,569	202,740	90,656	7,562,740	4,872,225	55.22%

The District's combined net assets increased by 55.22%, or \$2,690,515, compared to the prior year. A portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$1,424, or 0.04% from the prior year. The decrease in restricted net assets is attributable to the decrease in the Capital Projects fund balance and the decrease in the Debt Service fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$1,077,576, or 2689.77%. The primary reason for the increase in unrestricted net assets is the increase in General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	2010	June 30,	2010	June 30,	2010	June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,588,742	1,511,083	503,980	500,695	2,092,722	2,011,778	4.02%
Operating grants and contributions and restricted interest	1,863,944	2,223,806	204,134	204,478	2,068,078	2,428,284	-14.83%
General revenues:							
Property tax	3,871,953	3,732,172	-	-	3,871,953	3,732,172	3.75%
Income surtax	485,168	344,270	-	-	485,168	344,270	40.93%
Statewide sales, services and use tax	1,118,267	1,136,690	-	-	1,118,267	1,136,690	-1.62%
Nonspecific program federal grants	373,903	-	-	-	373,903	-	100.00%
Unrestricted state grants	6,591,701	5,307,152	-	-	6,591,701	5,307,152	24.20%
Unrestricted interest revenue	70,408	85,720	158	117	70,566	85,837	-17.79%
Other general revenue	140,664	149,551	5,965	2,614	146,629	152,165	-3.64%
Transfers	(84,711)	86	84,711	(86)	-	-	0.00%
Total revenues and transfers	16,020,039	14,490,530	798,948	707,818	16,818,987	15,198,348	10.66%
Program expenses:							
Governmental activities:							
Instructional	8,371,850	8,242,509	-	-	8,371,850	8,242,509	1.57%
Support services	3,308,848	3,409,164	8,494	8,363	3,317,342	3,417,527	-2.93%
Non-instructional programs	26,802	-	678,370	645,762	705,172	645,762	9.20%
Other expenses	1,734,108	1,581,200	-	-	1,734,108	1,581,200	9.67%
Total expenses	13,441,608	13,232,873	686,864	654,125	14,128,472	13,886,998	1.74%
Change in net assets	2,578,431	1,257,657	112,084	53,693	2,690,515	1,311,350	105.17%
Net assets beginning of year	4,781,569	3,523,912	90,656	36,963	4,872,225	3,560,875	36.83%
Net assets end of year	\$ 7,360,000	4,781,569	202,740	90,656	7,562,740	4,872,225	55.22%

In fiscal 2011, property tax, statewide sales, services and use tax and unrestricted state grants account for 72.30% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 88.63% of the revenue from business type activities.

The District's total revenues were \$16,818,987 of which \$16,020,039 was for governmental activities and \$798,948 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.66% increase in revenues and a 1.74% increase in expenses. Property tax increased \$139,781 or 3.75% to fund increases in expenditures. The increase in expenses is related to increases in the negotiated salary and benefits and programs funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$16,020,039 and expenses were \$13,441,608 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 8,371,850	8,242,509	1.57%	6,245,470	5,009,097	24.68%
Support services	3,308,848	3,409,164	-2.94%	2,497,394	3,407,098	-26.70%
Non-instructional	26,802	-	100.00%	26,802	-	100.00%
Other expenses	1,734,108	1,581,200	9.67%	1,219,256	1,081,789	12.71%
Totals	\$ 13,441,608	13,232,873	1.58%	9,988,922	9,497,984	5.17%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,588,742.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,863,944.
- The net cost of governmental activities was financed with \$3,871,953 in property tax, \$485,168 in income surtax, \$1,118,267 in statewide sales, services and use tax, \$6,591,701 in unrestricted state grants, \$373,903 in nonspecific program federal grants, \$70,408 in interest income and \$55,953 in other general revenue, net of transfers.

### Business type Activities

Revenues of the District's business type activities were \$798,948 and expenses were \$686,864. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other miscellaneous revenue.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,509,591, below last year's ending fund balances of \$12,554,930. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to the decrease in fund balance for the Capital Projects Fund due to continuing construction costs associated with the new High School and old High School renovations.

---

## **Governmental Fund Highlights**

- The District's improved General Fund financial position is the product of many factors. Growth during the year in local and state source revenues was the primary reason for the increase in revenues. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$420,398 in fiscal 2010 to \$1,647,610 in fiscal 2011.
- The Capital Projects fund balance decreased from \$11,642,194 in fiscal 2010 to \$1,873,098 in fiscal 2011. In 2011 the Physical Plant and Equipment Levy Fund was reclassified as a Capital Project due to GASB 54. The Physical Plant and Equipment Levy fund balance increased from \$126,673 in fiscal 2010 to \$135,732 in fiscal 2011. The decrease in the Capital Projects fund balance was due an increase in expenditures for the District's construction of a new high school building. The District also issued a new capital loan note for \$1,540,000.
- The Debt Service fund balance increased from \$263,397 in fiscal 2010 to \$830,070 in fiscal 2011. The increase was due to the District's sinking fund balances for the two revenue bonds. The monthly transfers from the Capital Projects Fund to the Debt Service Fund to fulfill the debt sinking requirements for the \$7.38 million of revenue bonds and \$3.7 million of qualified school construction bonds also contributed to the increase in debt service fund balance.

## **Proprietary Fund Highlights**

- The Enterprise Fund net assets increased from \$90,656 at June 30, 2010 to \$202,740 at June 30, 2011, representing an increase of \$112,084 or 123.64%. The increase in the Enterprise Fund was primarily due to the addition of a fourth kitchen in the new high school.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$382,851 more than budgeted revenues, a variance of 2.34%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2011, the District had invested \$22,278,653, 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 115.74% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$679,242.

The original cost of the District's capital assets was \$33,673,052. Governmental funds account for \$33,400,956 with the remainder of \$272,096 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,266,032 at June 30, 2010, compared to \$14,547,502 reported at June 30, 2011. The increase was due to the District continuing construction of a new high school building and the remodeling project for the old high school.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 408,736	408,736	-	-	408,736	408,736	0.00%
Construction in progress	14,547,502	2,266,032	-	-	14,547,502	2,266,032	541.98%
Buildings	6,404,712	6,910,771	-	-	6,404,712	6,910,771	-7.32%
Improvements other than buildings	252,957	284,285	-	-	252,957	284,285	-11.02%
Machinery and equipment	447,063	431,339	217,683	25,574	664,746	456,913	45.49%
Total	\$ 22,060,970	10,301,163	217,683	25,574	22,278,653	10,326,737	115.74%

### Long-Term Debt

At June 30, 2011, the District had \$19,428,079 in general obligation bonds payable, revenue bonds payable, bus lease payable, early retirement and compensated absences outstanding. This represents an increase of 6.75% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had an outstanding balance of \$6,520,000 in general obligation bonds at June 30, 2011.

The District had an outstanding balance of \$7,380,000 in revenue bonds payable at June 30, 2011.

The District had an outstanding balance of \$3,700,000 in qualified school construction bonds payable at June 30, 2011.

The District had an outstanding balance of \$1,540,000 in a capital loan note at June 30, 2011.

At June 30, 2011, the District had an early retirement outstanding balance of \$39,335 payable from the Special Revenue, Management Levy Fund.

At June 30, 2011, the District had an outstanding compensated absences balance of \$125,401 payable from the General Fund.

At June 30, 2011, the District had an outstanding other postemployment benefits of \$123,343.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 6,520,000	6,890,000	-	-	6,520,000	6,890,000	-5.37%
Revenue bonds	7,380,000	7,380,000	-	-	7,380,000	7,380,000	0.00%
Qualified school construction bonds	3,700,000	3,700,000	-	-	3,700,000	3,700,000	0.00%
Capital loan note	1,540,000	-	-	-	1,540,000	-	100.00%
Bus lease	-	27,358	-	-	-	27,358	-100.00%
Early retirement	39,335	26,417	-	-	39,335	26,417	48.90%
Compensated absences	125,401	113,935	-	-	125,401	113,935	10.06%
Net OPEB liability	121,479	61,408	1,864	-	123,343	61,408	100.86%
Total	\$ 19,426,215	18,199,118	1,864	-	19,428,079	18,199,118	6.75%

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

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

- The District has experienced an increasing enrollment trend over the past couple of decades. This trend is expected to continue with new homes and businesses being built in both the Center Point and Urbana communities.
- During the 2010-11 school year, the District built a new high school to be opened in the fall of 2011.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## Basic Financial Statements

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 7,044,302	19,984	7,064,286
Receivables:			
Property tax:			
Delinquent	59,534	-	59,534
Succeeding year	4,099,279	-	4,099,279
Income surtax	401,737	-	401,737
Interfund	(10,000)	10,000	-
Accounts	4,757	762	5,519
Due from other governments	570,873	84	570,957
Inventories	-	13,652	13,652
Capital assets, net of accumulated depreciation	22,060,970	217,683	22,278,653
<b>Total Assets</b>	<b>34,231,452</b>	<b>262,165</b>	<b>34,493,617</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	11,150	-	11,150
Accounts payable	1,791,637	1,390	1,793,027
Salaries and benefits payable	1,297,480	43,644	1,341,124
Accrued interest payable	245,691	-	245,691
Deferred revenue:			
Succeeding year property tax	4,099,279	-	4,099,279
Unearned revenue	-	12,527	12,527
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	400,000	-	400,000
Revenue bonds	245,000	-	245,000
Capital loan note	110,000	-	110,000
Early retirement	19,335	-	19,335
Compensated absences	125,401	-	125,401
Portion due after one year:			
General obligation bonds	6,120,000	-	6,120,000
Revenue bonds	7,135,000	-	7,135,000
Capital loan note	1,430,000	-	1,430,000
Qualified school construction bonds	3,700,000	-	3,700,000
Early retirement	20,000	-	20,000
Net OPEB liability	121,479	1,864	123,343
<b>Total Liabilities</b>	<b>26,871,452</b>	<b>59,425</b>	<b>26,930,877</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,920,970	217,683	3,138,653
Restricted for:			
Categorical funding	421,497	-	421,497
Debt service	830,070	-	830,070
Student activities	181,784	-	181,784
School infrastructure	1,737,366	-	1,737,366
Physical plant and equipment levy	135,732	-	135,732
Unrestricted	1,132,581	(14,943)	1,117,638
<b>Total Net Assets</b>	<b>\$ 7,360,000</b>	<b>202,740</b>	<b>7,562,740</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants, Contributions and Restricted	Govern- mental Activities	Business Type Activities	Total
		for Services	Interest			
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 5,331,556	771,178	127,350	(4,433,028)	-	(4,433,028)
Special	1,453,225	263,909	104,130	(1,085,186)	-	(1,085,186)
Other	1,587,069	553,655	306,158	(727,256)	-	(727,256)
	<u>8,371,850</u>	<u>1,588,742</u>	<u>537,638</u>	<u>(6,245,470)</u>	<u>-</u>	<u>(6,245,470)</u>
Support services:						
Student	278,300	-	7	(278,293)	-	(278,293)
Instructional staff	316,472	-	28,730	(287,742)	-	(287,742)
Administration	1,354,810	-	369	(1,354,441)	-	(1,354,441)
Operation and maintenance of plant	881,452	-	746,925	(134,527)	-	(134,527)
Transportation	477,814	-	35,423	(442,391)	-	(442,391)
	<u>3,308,848</u>	<u>-</u>	<u>811,454</u>	<u>(2,497,394)</u>	<u>-</u>	<u>(2,497,394)</u>
Non-instructional programs:						
Community service operations	26,802	-	-	(26,802)	-	(26,802)
Other expenses:						
Long-term debt interest	681,869	-	-	(681,869)	-	(681,869)
AEA flowthrough	514,852	-	514,852	-	-	-
Depreciation(unallocated)*	537,387	-	-	(537,387)	-	(537,387)
	<u>1,734,108</u>	<u>-</u>	<u>514,852</u>	<u>(1,219,256)</u>	<u>-</u>	<u>(1,219,256)</u>
Total governmental activities	<u>13,441,608</u>	<u>1,588,742</u>	<u>1,863,944</u>	<u>(9,988,922)</u>	<u>-</u>	<u>(9,988,922)</u>
<b>Business Type activities:</b>						
Support services:						
Administration	8,494	-	-	-	(8,494)	(8,494)
Non-instructional programs:						
Nutrition services	678,370	503,980	204,134	-	29,744	29,744
Total business type activities	<u>686,864</u>	<u>503,980</u>	<u>204,134</u>	<u>-</u>	<u>21,250</u>	<u>21,250</u>
Total	<u>\$ 14,128,472</u>	<u>2,092,722</u>	<u>2,068,078</u>	<u>(9,988,922)</u>	<u>21,250</u>	<u>(9,967,672)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 2,968,318	-	2,968,318
Debt service				684,720	-	684,720
Capital outlay				218,915	-	218,915
Income surtax				485,168	-	485,168
Statewide sales, services and use tax				1,118,267	-	1,118,267
Nonspecific program federal grants				373,903	-	373,903
Unrestricted state grants				6,591,701	-	6,591,701
Unrestricted investment earnings				70,408	158	70,566
Other general revenue				140,664	5,965	146,629
Transfers				(84,711)	84,711	-
Total general revenues and transfers				<u>12,567,353</u>	<u>90,834</u>	<u>12,658,187</u>
Changes in net assets				2,578,431	112,084	2,690,515
Net assets beginning of year				4,781,569	90,656	4,872,225
Net assets end of year				<u>\$ 7,360,000</u>	<u>202,740</u>	<u>7,562,740</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
				Special Revenue Funds	
<b>Assets</b>					
Cash and pooled investments	\$ 2,875,353	3,075,671	819,860	202,806	6,973,690
Receivables:					
Property tax:					
Delinquent	43,562	2,879	10,203	2,890	59,534
Succeeding year	2,986,403	229,688	598,188	285,000	4,099,279
Income surtax	401,737	-	-	-	401,737
Accounts	4,647	-	-	110	4,757
Due from other governments	262,275	308,589	7	2	570,873
<b>Total Assets</b>	<b>\$ 6,573,977</b>	<b>3,616,827</b>	<b>1,428,258</b>	<b>490,808</b>	<b>12,109,870</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Excess of warrants issued over bank balance	\$ -	-	-	11,150	11,150
Accounts payable	241,905	1,504,041	-	34,687	1,780,633
Due to other funds	-	10,000	-	-	10,000
Salaries and benefits payable	1,296,323	-	-	1,157	1,297,480
Deferred revenue:					
Succeeding year property tax	2,986,403	229,688	598,188	285,000	4,099,279
Income surtax	401,737	-	-	-	401,737
<b>Total liabilities</b>	<b>4,926,368</b>	<b>1,743,729</b>	<b>598,188</b>	<b>331,994</b>	<b>7,600,279</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Categorical funding	421,497	-	-	-	421,497
Debt service	-	-	830,070	-	830,070
Student activities	-	-	-	181,784	181,784
School infrastructure	-	1,737,366	-	-	1,737,366
Physical plant and equipment levy	-	135,732	-	-	135,732
<b>Unassigned:</b>					
General	1,226,112	-	-	-	1,226,112
Student activities	-	-	-	(14,712)	(14,712)
Management levy purposes	-	-	-	(8,258)	(8,258)
<b>Total fund balances</b>	<b>1,647,609</b>	<b>1,873,098</b>	<b>830,070</b>	<b>158,814</b>	<b>4,509,591</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,573,977</b>	<b>3,616,827</b>	<b>1,428,258</b>	<b>490,808</b>	<b>12,109,870</b>

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$	4,509,591
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		22,060,970
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		401,737
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		59,608
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.		(245,691)
Long-term liabilities, including bonds payable, compensated absences payable, early retirement payable, other postemployment benefits payable and capital loan note payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(19,426,215)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>7,360,000</u></u></b>

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,205,408	1,337,182	684,720	164,647	5,391,957
Tuition	1,006,673	-	-	-	1,006,673
Other	235,910	81,020	12,289	478,270	807,489
State sources	7,495,087	-	-	-	7,495,087
Federal sources	574,099	746,014	-	-	1,320,113
Total revenues	12,517,177	2,164,216	697,009	642,917	16,021,319
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	5,318,212	-	-	17,082	5,335,294
Special	1,447,366	-	-	-	1,447,366
Other	1,101,182	-	-	477,407	1,578,589
Support services:					
Student	274,034	-	-	1,844	275,878
Instructional staff	312,053	-	-	-	312,053
Administration	1,121,310	30,643	29,263	155,540	1,336,756
Operation and maintenance of plant	797,283	-	-	50,102	847,385
Transportation	376,872	22,865	-	11,069	410,806
Non-instructional programs:					
Community service operations	26,802	-	-	-	26,802
Other expenditures:					
Facilities acquisitions	-	12,473,465	-	-	12,473,465
Long-term debt:					
Principal	-	-	432,358	-	432,358
Interest and fiscal charges	-	-	641,426	-	641,426
AEA flowthrough	514,852	-	-	-	514,852
Total expenditures	11,289,966	12,526,973	1,103,047	713,044	25,633,030
Excess(Deficiency) of revenues over(under) expenditures	1,227,211	(10,362,757)	(406,038)	(70,127)	(9,611,711)
Other financing sources(uses):					
Transfer in	-	-	941,719	-	941,719
Transfer out	-	(941,719)	-	-	(941,719)
Capital loan note issuance	-	1,540,000	-	-	1,540,000
General obligation refunding bond issuance	-	-	3,935,000	-	3,935,000
Discount on loan note issuance	-	(4,620)	-	-	(4,620)
Discount on general obligation refunding bond issuance	-	-	(22,655)	-	(22,655)
Premium on general obligation refunding bond issuance	-	-	18,647	-	18,647
Payment to escrow	-	-	(3,900,000)	-	(3,900,000)
Total other financing sources(uses)	-	593,661	972,711	-	1,566,372
Net change in fund balances	1,227,211	(9,769,096)	566,673	(70,127)	(8,045,339)
Fund balances beginning of year, as restated	420,398	11,642,194	263,397	228,941	12,554,930
Fund balances end of year	\$ 1,647,609	1,873,098	830,070	158,814	4,509,591

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (8,045,339)

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

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

Capital outlays	\$ 12,433,584	
Depreciation expense	<u>(673,777)</u>	11,759,807

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

Issued	\$ (5,475,000)	
Repaid	<u>4,332,358</u>	(1,142,642)

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.

(40,443)

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

83,431

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

48,072

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

Compensated absences	\$ (11,466)	
Early retirement	(12,918)	
Other postemployment benefits	<u>(60,071)</u>	<u>(84,455)</u>

Changes in net assets of governmental activities(page 19)

\$ 2,578,431

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 19,984	70,612
Accounts receivable	762	-
Due from other governments	84	-
Due from other funds	10,000	-
Inventories	13,652	-
Capital assets, net of accumulated depreciation	217,683	-
<b>Total assets</b>	<b>262,165</b>	<b>70,612</b>
<b>Liabilities</b>		
Accounts payable	1,390	11,004
Salaries and benefits payable	43,644	-
Unearned revenue	12,527	-
Net Opeb liability	1,864	-
<b>Total Liabilities</b>	<b>59,425</b>	<b>11,004</b>
<b>Net Assets</b>		
Invested in capital assets	217,683	-
Unrestricted	(14,943)	59,608
<b>Total Net Assets</b>	<b>\$ 202,740</b>	<b>59,608</b>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 503,980	1,226,962
Miscellaneous	5,965	-
<b>TOTAL OPERATING REVENUES</b>	<b>509,945</b>	<b>1,226,962</b>
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	6,503	-
Benefits	991	1,158,871
Services	1,000	20,019
<b>Total support services</b>	<b>8,494</b>	<b>1,178,890</b>
Non-instructional programs:		
Food service operations:		
Salaries	225,531	-
Benefits	58,730	-
Services	7,208	-
Supplies	380,880	-
Other	556	-
Depreciation	5,465	-
<b>Total non-instructional programs</b>	<b>678,370</b>	<b>-</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>686,864</b>	<b>1,178,890</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(176,919)</b>	<b>48,072</b>
NON-OPERATING REVENUES:		
State sources	6,536	-
Federal sources	197,598	-
Interest income	158	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>204,292</b>	<b>-</b>
Change in net assets before other financing sources	27,373	48,072
Other financing sources:		
Capital contributions	84,711	-
Change in net assets	112,084	48,072
Net assets beginning of year	90,656	11,536
Net assets end of year	\$ 202,740	59,608

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 504,485	-
Cash received from miscellaneous	5,965	1,226,962
Cash payments to employees for services	(290,502)	-
Cash payments to suppliers for goods or services	(334,741)	(1,186,536)
Net cash provided by(used in) operating activities	<u>(114,793)</u>	<u>40,426</u>
Cash flows from non-capital financing activities:		
Repayment from Statewide Sales, Services and Use Tax Fund	(10,000)	-
State grants received	6,536	-
Federal grants received	148,479	-
Net cash provided by non-capital financing activities	<u>145,015</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(112,863)	-
Cash flows from investing activities:		
Interest on investments	158	-
Net increase(decrease) in cash and cash equivalents	(82,483)	40,426
Cash and cash equivalents at beginning of year	102,467	30,186
Cash and cash equivalents at end of year	<u>\$ 19,984</u>	<u>70,612</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (176,919)	48,072
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	49,035	-
Depreciation	5,465	-
Decrease in inventories	4,560	-
Increase in accounts receivable	(408)	-
Increase(Decrease) in accounts payable	1,308	(7,646)
Decrease in salaries and benefits payable	(611)	-
Increase in unearned revenue	913	-
Increase in other post employment benefits	1,864	-
Net cash provided by(used in) operating activities	<u>\$ (114,793)</u>	<u>40,426</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$49,035.

During the year ended June 30, 2011, the District received Contributed Capital from the Capital Projects: Statewide Sales, Services, and Use Tax Fund valued at \$84,711.

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Private Purpose Trust</u>
Assets	
Cash and pooled investments	<u>\$          22,641</u>
Liabilities	<u>-</u>
Net Assets	
Restricted for scholarships	<u><u>\$          22,641</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 205
Deductions:	
Other enterprise operations:	
Scholarships	<u>1,150</u>
Change in net assets	(945)
Net assets beginning of year	<u>23,586</u>
Net assets end of year	<u><u>\$ 22,641</u></u>

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service

operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply

the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-15 years
Machinery and equipment	5-15 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,778,720 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales, Services	
School Nutrition	and Use Tax	<u>\$ 10,000</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund is repaying the School Nutrition fund for Nutrition Fund equipment that could have been paid with sales tax money.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 28,767
	Capital Projects:	
	Statewide Sales, Services	
Debt Service	and Use Tax	912,952
		<u>\$ 941,719</u>

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to make payments on the District's revenue bond and quality school construction bond indebtedness.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 408,736	-	-	408,736
Construction in progress	2,266,032	12,281,470	-	14,547,502
Total capital assets not being depreciated	<u>2,674,768</u>	<u>12,281,470</u>	<u>-</u>	<u>14,956,238</u>
Capital assets being depreciated:				
Buildings	16,157,403	-	-	16,157,403
Land improvements	838,912	-	-	838,912
Machinery and equipment	1,319,129	152,114	22,840	1,448,403
Total capital assets being depreciated	<u>18,315,444</u>	<u>152,114</u>	<u>22,840</u>	<u>18,444,718</u>
Less accumulated depreciation for:				
Buildings	9,246,632	506,059	-	9,752,691
Land improvements	554,627	31,328	-	585,955
Machinery and equipment	887,790	136,390	22,840	1,001,340
Total accumulated depreciation	<u>10,689,049</u>	<u>673,777</u>	<u>22,840</u>	<u>11,339,986</u>
Total capital assets being depreciated, net	<u>7,626,395</u>	<u>(521,663)</u>	<u>-</u>	<u>7,104,732</u>
Governmental activities capital assets, net	<u>\$ 10,301,163</u>	<u>11,759,807</u>	<u>-</u>	<u>22,060,970</u>
Business type activities:				
Machinery and equipment	\$ 76,566	197,574	2,044	272,096
Less accumulated depreciation	50,992	5,465	2,044	54,413
Business type activities capital assets, net	<u>\$ 25,574</u>	<u>192,109</u>	<u>-</u>	<u>217,683</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 7,475
Other	4,653
Support services:	
Instructional staff	2,400
Administration	2,940
Operation and maintenance	29,254
Transportation	89,668
	<u>136,390</u>
Unallocated depreciation	<u>537,387</u>
	<u>\$ 673,777</u>
Business type activities:	
Food services	<u>\$ 5,465</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,890,000	3,935,000	4,305,000	6,520,000	400,000
Revenue bonds	7,380,000	-	-	7,380,000	245,000
Qualified school construction bonds	3,700,000	-	-	3,700,000	-
Capital loan note	-	1,540,000	-	1,540,000	110,000
Bus lease	27,358	-	27,358	-	-
Early retirement	26,417	30,000	17,082	39,335	19,335
Compensated absences	113,935	125,401	113,935	125,401	125,401
Net OPEB liability	61,408	60,071	-	121,479	-
Total	<u>\$ 18,199,118</u>	<u>5,690,472</u>	<u>4,463,375</u>	<u>19,426,215</u>	<u>899,736</u>
Business type activities:					
Net OPEB liability	<u>\$ -</u>	<u>1,864</u>	<u>-</u>	<u>1,864</u>	<u>-</u>

General Obligation Bonds Payable

On April 1, 2011 the District issued general obligation bonds of \$3,935,000 to advance refund the March 1, 2006 issue of \$4,055,000 and May 1, 2002 issue of \$1,395,000 for capital facility construction. Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 1, 2006			Bond Issue April 1, 2011			Total		
	Interest			Interest			Principal	Interest	Total
	Rates	Principal	Interest	Rates	Principal	Interest			
2012	4.25	% \$ 25,000	110,450	2.00	% \$ 375,000	98,738	\$ 400,000	209,188	609,188
2013	4.30	25,000	109,388	2.00	390,000	83,450	415,000	192,838	607,838
2014	4.30	25,000	108,312	2.00	400,000	75,550	425,000	183,862	608,862
2015	4.15	25,000	107,238	2.00	405,000	67,550	430,000	174,788	604,788
2016	4.20	25,000	106,200	2.00	415,000	59,400	440,000	165,600	605,600
2017-2021	4.15-4.30	425,000	496,500	2.00-3.25	1,625,000	173,100	2,050,000	669,600	2,719,600
2022-2026	4.25-4.30	2,035,000	298,175	3.25	325,000	7,881	2,360,000	306,056	2,666,056
		<u>\$ 2,585,000</u>	<u>1,336,263</u>		<u>\$ 3,935,000</u>	<u>565,669</u>	<u>\$ 6,520,000</u>	<u>1,901,932</u>	<u>8,421,932</u>

### Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue March 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	1.10	% \$ 245,000	286,609	531,609
2013	1.50	345,000	282,675	627,675
2014	2.00	185,000	278,238	463,238
2015	2.25	190,000	274,250	464,250
2016	2.60	195,000	269,577	464,577
2017-2021	3.00-3.75	1,060,000	1,250,419	2,310,419
2022-2026	3.90-4.35	1,895,000	1,004,612	2,899,612
2027-2030	4.45-4.75	3,265,000	351,641	3,616,641
		<u>\$ 7,380,000</u>	<u>3,998,021</u>	<u>11,378,021</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,380,000 of bonds dated March 1, 2010. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 48 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$11,378,021. For the current year, interest of \$239,965 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,118,267.

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

- a) \$732,431 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Qualified School Construction Bonds

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

Year Ending June 30,	Bond Issue November 17, 2009			
	Interest Rates	Principal	Interest	Total
2012	2.74	% \$ -	101,380	101,380
2013	2.74	-	101,380	101,380
2014	2.74	-	101,380	101,380
2015	2.74	-	101,380	101,380
2016	2.74	-	101,380	101,380
2017-2021	2.74	-	506,900	506,900
2022-2026	2.74	3,700,000	354,830	4,054,830
		<u>\$ 3,700,000</u>	<u>1,368,630</u>	<u>5,068,630</u>

Capital Loan Note

During the year ended June 30, 2011 the District issued Capital Loan Notes for construction. Annual principal and interest payments will be made by the Capital Projects: Physical, Plant and Equipment Levy Fund. Details of the District's June 30, 2011 Capital Loan Note indebtedness are as follows:

Year Ending June 30,	Bond Issue April 1, 2011			
	Interest Rates	Principal	Interest	Total
2012	1.00	% \$ 110,000	43,870	153,870
2013	1.20	115,000	36,503	151,503
2014	1.40	115,000	35,122	150,122
2015	1.80	115,000	33,512	148,512
2016	2.10	120,000	31,443	151,443
2017-2021	2.40-3.20	665,000	110,262	775,262
2022-2023	3.30-3.40	300,000	15,150	315,150
		<u>\$ 1,540,000</u>	<u>305,862</u>	<u>1,845,862</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and support staff employees on a year to year basis. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was \$15,000 in the 2007-2008 year and is \$10,000 in the 2008-09 year and a prorated benefit deposited into a Health Retirement Account or a Tax Shelter Annuity with a minimum of nine years of service

required. The early retirement incentive was not offered in the 2009-10 year. The early retirement incentive for each eligible employee was \$15,000 in the 2010-2011 year. The prorated benefits is calculated by numbers of years of service times \$750. The insurance coverage will cease when the employee reaches age sixty-five, secures other employment in which the employer insurance coverage, or becomes deceased. Early retirement benefits paid during the year ended June 30, 2011, totaled \$17,082. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$522,585, \$492,394, and \$456,242, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 129 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 72,836
Interest on net OPEB obligation	1,535
Adjustment to annual required contribution	<u>(4,832)</u>
Annual OPEB cost	69,539
Contributions made	<u>(7,604)</u>
Increase in net OPEB obligation	61,935
Net OPEB obligation beginning of year	<u>61,408</u>
 Net OPEB obligation end of year	 <u><u>\$ 123,343</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$7,604 to the medical plan. Plan members receiving benefits contributed \$0 or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 67,460	8.97%	\$ 61,408
2011	69,539	10.93%	123,343

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$571,095, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$571,095. The covered payroll (annual payroll of active employees covered by the plan) was \$6,580,405 and the ratio of the UAAL to covered payroll was 8.7%. As of June 30, 2011, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

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

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$514,852 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Unrestricted Net Assets**

The District had a deficit unrestricted net assets balance in the Nutrition Fund of \$14,943 and a deficit unassigned balance of \$8,258 in the Management Fund and \$14,712 in the Student Activity Fund at June 30, 2011.

**(12) Construction Commitments**

The District has active construction projects as of June 30, 2011. The projects include building a brand new high school and remodeling the old high school. The District has incurred costs of \$14,547,502 towards these projects. The total costs of the projects will be added to the District's capital asset listing upon completion.

**(13) Categorical Funding**

The District's ending balance for categorical funding by project as of the year ended June 30, 2011, are as follows:

Program	Amount
Gifted and talented	\$ 180,046
Four year old preschool state aid	200,670
Salary improvement program	7,521
Beginning teacher mentoring	790
Professional development for model core curriculum	28,198
Professional development	4,272
Total	<u>\$ 421,497</u>

**(14) Refunding General Obligation Bonds**

On April 1, 2011 the District issued \$3,935,000 in general obligation bonds, with interest rates ranging from 2.00% to 3.25%, to advance the refund \$3,900,000 of outstanding general obligation bonds dated March 1, 2006 and May 1, 2002. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from the long-term debt. The new refunding bonds have been added to the appropriate financial statement and schedules. This refunding was undertaken to reduce the total debt services payments over the next 11 years by \$386,206 and resulted in a net present value savings of \$328,036.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 11,515,521	126,673
Change in fund type classification per implementation of GASB Statement No. 54	126,673	(126,673)
Balances July 1, 2010, as restated	<u>\$ 11,642,194</u>	<u>-</u>

Center Point - Urbana Community School District

Required Supplementary Information

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 7,206,119	510,103	7,716,222	7,753,947	7,753,947	(37,725)
Intermediate sources	-	-	-	2,500	2,500	(2,500)
State sources	7,495,087	6,536	7,501,623	8,153,758	8,153,758	(652,135)
Federal sources	1,320,113	197,598	1,517,711	442,500	442,500	1,075,211
Total revenues	16,021,319	714,237	16,735,556	16,352,705	16,352,705	382,851
<b>Expenditures/expenses:</b>						
Instruction	8,361,249	-	8,361,249	9,778,211	9,778,211	1,416,962
Support services	3,182,878	8,494	3,191,372	3,532,250	3,532,250	340,878
Non-instructional programs	26,802	678,370	705,172	833,113	833,113	127,941
Other expenditures	14,062,101	-	14,062,101	14,456,584	14,456,584	394,483
Total expenditures/expenses	25,633,030	686,864	26,319,894	28,600,158	28,600,158	2,280,264
Excess (deficiency) of revenues (over) under expenditures/expenses	(9,611,711)	27,373	(9,584,338)	(12,247,453)	(12,247,453)	2,663,115
Other financing sources (uses), net	1,566,372	84,711	1,651,083	1,400,000	1,400,000	251,083
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(8,045,339)	112,084	(7,933,255)	(10,847,453)	(10,847,453)	2,914,198
Balances beginning of year	12,554,930	90,656	12,645,586	10,689,849	10,689,849	1,955,737
Balances end of year	\$ 4,509,591	202,740	4,712,331	(157,604)	(157,604)	4,869,935

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1 ,2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,250,442	9.1%
2011	July 1 ,2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,580,405	8.7%

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

Other Supplementary Information

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2011

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 202,806	-	202,806
Receivables:			
Property tax:			
Delinquent	-	2,890	2,890
Succeeding year	-	285,000	285,000
Accounts	110	-	110
Due from other governments	-	2	2
<b>Total assets</b>	<b>\$ 202,916</b>	<b>287,892</b>	<b>490,808</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Excess of warrants issued over bank balance	\$ -	11,150	11,150
Accounts payable	34,687	-	34,687
Salaries and benefits payable	1,157	-	1,157
Deferred revenue:			
Succeeding year property tax	-	285,000	285,000
<b>Total liabilities</b>	<b>35,844</b>	<b>296,150</b>	<b>331,994</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
Student activities	181,784	-	181,784
Unassigned	(14,712)	(8,258)	(22,970)
<b>Total fund balances</b>	<b>167,072</b>	<b>(8,258)</b>	<b>158,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 202,916</b>	<b>287,892</b>	<b>490,808</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Student Activity	Management Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	164,647	164,647
Other	460,430	17,840	478,270
TOTAL REVENUES	460,430	182,487	642,917
EXPENDITURES:			
Current:			
Instruction:			
Regular	-	17,082	17,082
Other	477,407	-	477,407
Support services:			
Student	1,844	-	1,844
Administration	-	155,540	155,540
Operation and maintenance of plant	-	50,102	50,102
Student transportation	-	11,069	11,069
TOTAL EXPENDITURES	479,251	233,793	713,044
Net change in fund balance	(18,821)	(51,306)	(70,127)
Fund balances beginning of year, as restated	185,893	43,048	228,941
Fund balances end of year	\$ 167,072	(8,258)	158,814

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,211,314	864,357	3,075,671
Receivables:			
Property tax:			
Delinquent	-	2,879	2,879
Succeeding year	-	229,688	229,688
Due from other governments	308,587	2	308,589
<b>Total assets</b>	<b>\$ 2,519,901</b>	<b>1,096,926</b>	<b>3,616,827</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Due to other funds	\$ 10,000	-	10,000
Accounts payable	772,535	731,506	1,504,041
Deferred revenue:			
Succeeding year property tax	-	229,688	229,688
<b>Total liabilities</b>	<b>782,535</b>	<b>961,194</b>	<b>1,743,729</b>
<b>Fund balances:</b>			
<b>Restricted for:</b>			
School infrastructure	1,737,366	-	1,737,366
Physical plant and equipment	-	135,732	135,732
<b>Total fund balances</b>	<b>1,737,366</b>	<b>135,732</b>	<b>1,873,098</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,519,901</b>	<b>1,096,926</b>	<b>3,616,827</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,118,267	218,915	1,337,182
Other	55,527	25,493	81,020
Federal sources	746,014	-	746,014
TOTAL REVENUES	<u>1,919,808</u>	<u>244,408</u>	<u>2,164,216</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	7,500	23,143	30,643
Transportation	-	22,865	22,865
Other expenditures:			
Facilities acquisitions	10,777,511	1,695,954	12,473,465
TOTAL EXPENDITURES	<u>10,785,011</u>	<u>1,741,962</u>	<u>12,526,973</u>
Deficiency of revenues under expenditures	(8,865,203)	(1,497,554)	(10,362,757)
Other financing sources(uses):			
Transfer out	(912,952)	(28,767)	(941,719)
Capital loan note issuance	-	1,540,000	1,540,000
Discount on loan note issuance	-	(4,620)	(4,620)
Total other financing sources(uses)	<u>(912,952)</u>	<u>1,506,613</u>	<u>593,661</u>
Net change in fund balance	(9,778,155)	9,059	(9,769,096)
Fund balances beginning of year, as restated	<u>11,515,521</u>	<u>126,673</u>	<u>11,642,194</u>
Fund balances end of year	<u>\$ 1,737,366</u>	<u>135,732</u>	<u>1,873,098</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>K-12 Pupil services</u>				
General athletics	\$ 3,358	276	1,218	2,416
Annual	10,419	1,591	3,984	8,026
Wellness	8,266	789	1,844	7,211
	<u>22,043</u>	<u>2,656</u>	<u>7,046</u>	<u>17,653</u>
<u>Elementary School</u>				
Elementary pop	3,829	1,198	1,252	3,775
<u>Middle School</u>				
Musical	620	-	15	605
Annual	2,312	3,752	3,722	2,342
Pop	233	1,297	1,538	(8)
Canstruction	230	3,385	1,805	1,810
Pep club	121	3,930	3,019	1,032
MS choir	2,765	2,519	3,214	2,070
MS band	2,306	2,146	2,837	1,615
	<u>8,587</u>	<u>17,029</u>	<u>16,150</u>	<u>9,466</u>
<u>High School</u>				
Drama	4,630	1,645	4,840	1,435
HS musical	112	120	-	232
Childrens theatre	3,486	-	197	3,289
Speech	(3,328)	2,644	-	(684)
Show choir	5,699	26,100	28,827	2,972
Cross country	138	3,784	3,336	586
Golf	(3,249)	5,424	1,889	286
Boys basketball	4,063	23,483	19,385	8,161
Football	15,761	22,245	26,214	11,792
Boys soccer	1,029	4,055	4,615	469
Boys baseball	(6,816)	9,124	10,389	(8,081)
Boys track	(517)	6,285	5,768	-
Boys wrestling	960	4,695	4,606	1,049
Girls basketball	2,511	10,711	11,683	1,539
Volleyball	71	15,517	12,645	2,943
Girls soccer	(277)	5,520	5,025	218
Softball	(2,573)	15,272	18,576	(5,877)
Girls track	100	5,509	5,609	-
General athletics	(1,150)	11,439	10,274	15
Storm troopers	3,818	764	3,429	1,153
HS computer lab	722	58	41	739
FCCLA	2,105	-	100	2,005
HS pop	(566)	1,820	1,163	91
Senior science trip	772	10,624	10,622	774
Art club	26	-	-	26
Home economics	379	881	856	404
Model UN	202	227	491	(62)
National honor society	344	97	256	185
Student council	3,008	11,946	14,269	685
Spanish club	55	5,818	3,826	2,047
Biology club	296	1,124	1,122	298
Cheerleaders	3,343	6,696	7,752	2,287
Drill team	4,782	13,323	11,245	6,860
Class of 2011	6,356	-	6,356	-
Class of 2012	-	23,594	15,492	8,102
Class of 2013	22	40	-	62
Senior class trip	890	-	698	192
HS band/jazz band	1,791	9,805	9,000	2,596
CPU music parents	44,790	101,719	110,638	35,871
Booster club	57,649	77,439	83,569	51,519
	<u>151,434</u>	<u>439,547</u>	<u>454,803</u>	<u>136,178</u>
Total	\$ 185,893	460,430	479,251	167,072

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST  
 JUNE 30, 2011

	Private Purpose Trust						Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	
Assets							
Cash and pooled investments	\$ 629	400	7,906	7,240	6,165	301	22,641
Liabilities	-	-	-	-	-	-	-
Net Assets							
Restricted for scholarships	\$ 629	400	7,906	7,240	6,165	301	22,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust						Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	
Additions:							
Local sources:							
Interest	\$ -	-	108	97	-	-	205
Deductions:							
Other enterprise operations:							
Scholarships	-	400	500	250	-	-	1,150
Changes in net assets	-	(400)	(392)	(153)	-	-	(945)
Net assets beginning of year	629	800	8,298	7,393	6,165	301	23,586
Net assets end of year	\$ 629	400	7,906	7,240	6,165	301	22,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 5,391,957	5,186,801	4,649,023	4,347,649	3,575,835	3,234,742	3,168,824	2,767,200
Tuition	1,006,673	1,014,968	892,508	806,991	706,255	799,047	648,293	518,066
Other	807,489	750,738	790,033	1,024,595	756,948	549,533	495,114	523,710
State sources	7,495,087	6,613,909	7,059,694	6,802,555	5,818,628	5,249,603	4,788,783	4,563,957
Federal sources	1,320,113	895,797	291,452	152,056	157,791	236,046	194,351	300,718
Total	<u>\$ 16,021,319</u>	<u>14,462,213</u>	<u>13,682,710</u>	<u>13,133,846</u>	<u>11,015,457</u>	<u>10,068,971</u>	<u>9,295,365</u>	<u>8,673,651</u>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 5,335,294	5,833,806	5,774,940	5,189,594	4,712,334	4,307,045	4,094,228	3,592,606
Special	1,447,366	1,312,584	1,329,432	1,260,668	1,185,672	1,214,103	1,247,292	1,022,362
Other	1,578,589	1,093,601	982,601	996,817	899,698	775,325	726,625	725,111
Support services:								
Student	275,878	268,361	289,696	283,934	279,601	261,587	227,799	238,722
Instructional staff	312,053	299,694	259,524	250,050	195,609	181,220	178,849	130,564
Administration	1,336,756	1,227,169	1,280,601	1,320,989	1,178,454	1,286,724	1,038,110	819,307
Operation and maintenance of plant	847,385	941,042	975,746	1,015,733	891,442	904,531	858,577	749,813
Transportation	410,806	363,347	781,409	347,964	442,407	353,667	424,126	298,354
Non-instructional programs	26,802	0	0	0	0	0	0	0
Other expenditures:								
Facilities acquisitions	12,473,465	2,185,255	391,154	532,939	2,449,914	156,450	94,194	1,500,511
Long-term debt:								
Principal	432,358	416,018	402,693	370,000	405,000	365,000	395,007	270,000
Interest and fiscal charges	641,426	299,457	310,659	322,176	349,251	272,930	271,256	293,367
AEA flow-through	514,852	499,411	429,285	398,409	365,632	325,981	304,335	297,732
Total	<u>\$ 25,633,030</u>	<u>14,739,745</u>	<u>13,207,740</u>	<u>12,289,273</u>	<u>13,355,014</u>	<u>10,404,563</u>	<u>9,860,398</u>	<u>9,938,449</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 19,029
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	178,485 *
			<u>197,514</u>
NUTRITION EDUCATION AND TRAINING PROGRAM	10.564	FY 11	<u>84</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	<u>47,801</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>5,733</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 09	296,014
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 10	450,000
			<u>746,014</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	<u>26,366</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 11	<u>9,191</u>
FISCAL STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUNDS (SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	65,693
STATE FISCAL STABILIZATION FUNDS (SFSF)			
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	58,595
			<u>124,288</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>249,615</u>
AREA EDUCATION AGENCY 267:			
SPECIAL EDUCATION GRANTS TO STATES(PART B)	84.027	FY 11	<u>63,169</u>
TOTAL			<u>\$ 1,469,775</u>

\* - Includes \$49,035 of non-cash rewards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

## **Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3050**

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point - Urbana Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center Point-Urbana Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson P.C." The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2012

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

## **Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3050**

**Telephone (641) 792-1910**

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

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

### Compliance

We have audited Center Point-Urbana Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Center Point-Urbana Community School District's major federal programs for the year ended June 30, 2011. Center Point-Urbana Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Center Point-Urbana Community School District's management. Our responsibility is to express an opinion on Center Point-Urbana Community School District's compliance based on our audit.

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

In our opinion, Center Point-Urbana Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The management of Center Point-Urbana Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Center Point-Urbana Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center Point-Urbana Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control 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 a 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-11 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 22, 2012

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215 - Fund for the Improvement of Education  
(Iowa Demonstration Construction Grant 08-09)
  - CFDA Number 84.215 - Fund for the Improvement of Education  
(Iowa Demonstration Construction Grant 09-10)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Center Point-Urbana Community School District did not qualify as a low-risk auditee.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA 84.215 - Fund for the Improvement of Education  
(Iowa Demonstration Construction Grant 08-09)

CFDA 84.215 - Fund for the Improvement of Education  
(Iowa Demonstration Construction Grant 09-10)

Federal Award Year: 2009 and 2010

U.S. Department of Education

Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of one individual include preparing checks and recording the transactions in the general ledger.

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

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

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted during our audit that Student Council purchased gift cards from the Student Activity Fund that were given to students as incentive prizes. Giving gift cards to students does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will notify all personnel that the use of gift cards will no longer be allowed.

Conclusion - Response accepted.

IV-C-11 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-11 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bill Wright, Bus Driver Owns WSA Promotions, LLC	Purchased services	\$15,583
Kevin Rhinehart, Crossing Guard Owns Rhinehart Texaco	Purchased services	\$223

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

IV-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.0 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	11,515,521
Revenues:			
Sales tax revenues	\$	1,118,267	
Other local revenues		55,527	
Federal revenues		746,014	1,919,808
Total revenues			<u>13,435,329</u>
Expenditures/transfers out:			
School infrastructures	\$	10,538,631	
Equipment		10,000	
Other		236,380	
Transfers to Other Funds:			
Debt Service Fund		912,952	
Total Expenditures			<u>11,697,963</u>
Ending Balance		\$	<u>1,737,366</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	\$ 0.67000	\$ 147,710

IV-L-11 Financial Condition - The District had a deficit unrestricted net assets balance in the Nutrition Fund of \$14,943 and a deficit unassigned fund balance in the Management Fund of \$8,258 at June 30, 2011. The District's Student Activity Fund also had accounts with deficit balances totaling \$14,712.

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

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

Conclusion - Response accepted.

IV-M-11 Student Activity - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for students.

**Scholarship Awards:** We noted that scholarships were paid from the FCCLA and the CPU Music Parents accounts in the Student Activity Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds and subsequent expenditures for giving scholarships to students should be placed in Private Purpose Trust Fund.

Response - The District will develop procedures to process all scholarships through the Trust Fund.

Conclusion - Response accepted.