

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

JUNE 30, 2011

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Centerville Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|---------------------------|---------------------|
| <u>Board of Education</u> | | |
| Steve Hoch | President | 2013 |
| Nick Hindley | Vice President | 2011 |
| Bill Matkovich | Board Member | 2011 |
| Jeri Pershey | Board Member | 2011 |
| Brad Appler | Board Member | 2011 |
| Tom Lange | Board Member | 2013 |
| Marty Braster | Board Member | 2013 |
| <u>School Officials</u> | | |
| Richard Turner | Superintendent | 2011 |
| Rob Busch | Business Manager | 2011 |
| Linda Henderson | Board Secretary/Treasurer | 2011 |
| Rick Engel | Attorney | Indefinite |

Centerville Community School District

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2012 on our consideration of the Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial

statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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 and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$14,100,872 in fiscal 2010 to \$14,741,021 in fiscal 2011, and General Fund expenditures increased from \$14,095,788 in fiscal 2010 to \$14,185,467 in fiscal 2011. The District's General Fund balance increased from a deficit \$258,985 at the end of fiscal 2010 to \$296,569 at the end of fiscal 2011, a 214.51% increase.
- The increase in General Fund revenues was attributable to an increase in federal, local tax revenue and state revenues in 2011. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

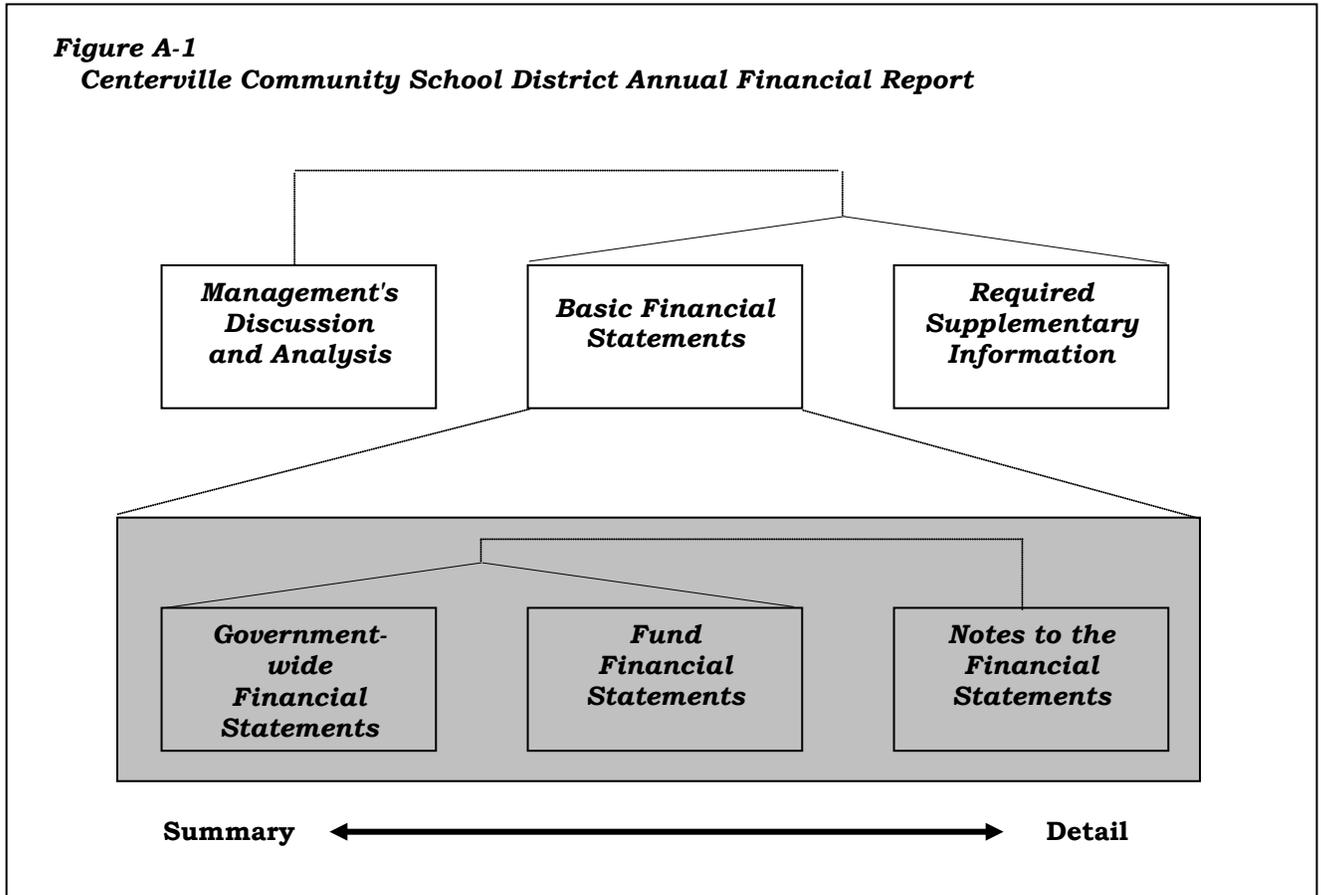


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide Statements | Fund Statements | | |
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services and child care | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net assets • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid | All additions and deductions during the year, regardless of when cash is received or paid |

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

| | Governmental | | Business Type | | Total | | Total |
|--|--------------|------------|---------------|---------|------------|------------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Current and other assets | \$ 8,994,826 | 8,159,584 | 149,176 | 138,345 | 9,144,002 | 8,297,929 | 10.20% |
| Capital assets | 9,480,262 | 9,017,273 | 55,243 | 67,967 | 9,535,505 | 9,085,240 | 4.96% |
| Total assets | 18,475,088 | 17,176,857 | 204,419 | 206,312 | 18,679,507 | 17,383,169 | 7.46% |
| Long-term obligations | 3,214,641 | 4,509,168 | - | - | 3,214,641 | 4,509,168 | -28.71% |
| Other liabilities | 6,829,965 | 6,411,479 | 51,302 | 56,415 | 6,881,267 | 6,467,894 | 6.39% |
| Total liabilities | 10,044,606 | 10,920,647 | 51,302 | 56,415 | 10,095,908 | 10,977,062 | -8.03% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 6,727,677 | 5,160,732 | 55,243 | 67,967 | 6,782,920 | 5,228,699 | 29.72% |
| Restricted | 1,820,166 | 2,017,550 | - | - | 1,820,166 | 2,017,550 | -9.78% |
| Unrestricted | (117,361) | (922,072) | 97,874 | 81,930 | (19,487) | (840,142) | 97.68% |
| Total net assets | \$ 8,430,482 | 6,256,210 | 153,117 | 149,897 | 8,583,599 | 6,406,107 | 33.99% |

The District's combined net assets increased by 33.99%, or \$2,177,492 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$197,384, or 9.78% under the prior year. The decrease was primarily a result of increased principal and interest payments in the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased \$820,655, or 97.68%. The increase was primarily due to the increase in the General Fund Balance.

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

Figure A-4
Changes of Net Assets

| | Governmental Activities | | Business Type Activities | | Total | | Total Change 2010-11 |
|--|-------------------------|-------------------|--------------------------|----------------|-------------------|-------------------|----------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 678,538 | 678,603 | 248,752 | 251,060 | 927,290 | 929,663 | -0.26% |
| Operating grants and contributions and restricted interest | 3,131,955 | 3,433,361 | 395,740 | 428,628 | 3,527,695 | 3,861,989 | -8.66% |
| General revenues: | | | | | | | |
| Property tax | 3,831,757 | 3,759,962 | - | - | 3,831,757 | 3,759,962 | 1.91% |
| Income surtax | 190,320 | 206,304 | - | - | 190,320 | 206,304 | -7.75% |
| Statewide sales, services and use tax | 979,494 | 906,166 | - | - | 979,494 | 906,166 | 8.09% |
| City sales and services tax | 101,700 | 94,633 | - | - | 101,700 | 94,633 | 7.47% |
| Unrestricted state grants | 7,349,468 | 6,918,664 | - | - | 7,349,468 | 6,918,664 | 6.23% |
| Nonspecific program federal revenue | 448,052 | - | - | - | 448,052 | - | 100.00% |
| Unrestricted investment earnings | 23,259 | 81,274 | 97 | 63 | 23,356 | 81,337 | -71.28% |
| Other | 445,936 | 227,588 | 3,719 | - | 449,655 | 227,588 | 97.57% |
| Transfers | (7,826) | (5,943) | - | - | (7,826) | (5,943) | 31.68% |
| Total revenues | 17,172,653 | 16,300,612 | 648,308 | 679,751 | 17,820,961 | 16,980,363 | 4.95% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | 9,691,208 | 10,209,626 | - | - | 9,691,208 | 10,209,626 | -5.08% |
| Support services | 4,228,944 | 4,223,019 | 18,792 | 14,513 | 4,247,736 | 4,237,532 | 0.24% |
| Non-instructional programs | - | - | 626,296 | 623,899 | 626,296 | 623,899 | 0.38% |
| Other expenses | 1,078,229 | 1,272,891 | - | - | 1,078,229 | 1,272,891 | -15.29% |
| Total expenses | 14,998,381 | 15,705,536 | 645,088 | 638,412 | 15,643,469 | 16,343,948 | -4.29% |
| Changes in net assets | 2,174,272 | 595,076 | 3,220 | 41,339 | 2,177,492 | 636,415 | 242.15% |
| Beginning net assets | 6,256,210 | 5,661,134 | 149,897 | 108,558 | 6,406,107 | 5,769,692 | 11.03% |
| Ending net assets | \$ 8,430,482 | 6,256,210 | 153,117 | 149,897 | 8,583,599 | 6,406,107 | 33.99% |

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, city sales and services tax and unrestricted state grants account for 72.51% of the governmental revenue while charges for services and operating grants and contributions account for 99.41% of the revenue from business type activities.

The District's total revenues were approximately \$17.82 million, of which \$17.17 million was for governmental activities and \$.65 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.95% increase in revenues and a 4.29% increase in expenses. Unrestricted state grants increased \$430,804 which caused the majority of the increase in revenues. The increases in expenses related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues net of transfers for governmental activities were \$17,172,653 and expenses were \$14,998,381.

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

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|-------------------|-------------------|----------------------|-------------------|-------------------|
| | 2011 | 2010 | Change 2010-11 | 2011 | 2010 | Change 2010-11 |
| Instruction | \$ 9,691,208 | 10,209,626 | -5.08% | \$ 6,585,754 | 6,702,873 | -1.75% |
| Support services | 4,228,944 | 4,223,019 | 0.14% | 4,125,180 | 4,217,631 | -2.19% |
| Other expenses | 1,078,229 | 1,272,891 | -15.29% | 476,954 | 673,068 | -29.14% |
| Totals | <u>\$ 14,998,381</u> | <u>15,705,536</u> | <u>-4.50%</u> | <u>\$ 11,187,888</u> | <u>11,593,572</u> | <u>-3.50%</u> |

- The cost financed by users of the District’s programs was \$678,538.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,131,955.
- The net cost of governmental activities was financed with \$3,381,757 in property tax, \$190,320 in income surtax, \$979,494 in statewide sales, services and use tax, \$101,700 in city sales and services tax, \$7,349,468 in unrestricted state grants, \$448,052 in nonspecific program federal revenue, \$23,259 in unrestricted investment earnings, and \$445,936 in other general revenues.

Business Type Activities

Revenues and transfers of the District’s Business type activities were \$648,308 and expenses were \$645,088. The District’s Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,710,364, above last year’s ending fund balances of \$1,379,676. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District’s increasing General Fund financial position is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The District’s increased General Fund expenditures was less than the total General Fund revenues.
- The General Fund balance increased from a deficit \$258,985 to \$296,596, due in fact that the district’s expenses were less than the total revenues.
- The Capital Projects Accounts total balance increased from \$314,846 at June 30, 2010, to \$330,821 at June 30, 2011. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.

- The Debt Service Fund balance decreased from \$752,765 in fiscal 2010 to \$339,063 in fiscal 2010. The District transfers in statewide and city sales and services tax monies from the Capital Projects Fund to pay for bond principal and interest. The decrease was due to the district using the existing balance to make some of the principal and interest payments on bonds in lieu of collecting that amount in property taxes to assist in controlling the property tax rate for the taxpayers of the school district.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$149,897 at June 30, 2010 to \$153,117 at June 30, 2011, representing an increase of 2.15%.

BUDGETARY HIGHLIGHTS

The District’s revenues were \$23,269 more than budgeted revenues, a variance of .13%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.96 % from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$440,908.

The original cost of the District’s capital assets was \$19.16 million. Governmental funds account for \$18.91million with the remainder of \$0.25 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District’s land improvements totaled \$162,933 at June 30, 2011, compared to \$186,550 reported at June 30, 2010. This decrease resulted primarily from depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental | | Business Type | | Total | | Total |
|-------------------------|--------------|-----------|---------------|--------|-----------|-----------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2010-11 |
| Land | \$ 204,400 | 204,400 | - | - | 204,400 | 204,400 | 0.00% |
| Buildings | 8,558,434 | 8,270,380 | - | - | 8,558,434 | 8,270,380 | 3.48% |
| Land improvements | 162,933 | 186,550 | - | - | 162,933 | 186,550 | -12.66% |
| Machinery and equipment | 554,495 | 355,943 | 55,243 | 67,967 | 609,738 | 423,910 | 43.84% |
| Total | \$ 9,480,262 | 9,017,273 | 55,243 | 67,967 | 9,535,505 | 9,085,240 | 4.96% |

Long-Term Debt

At June 30, 2011, the District had \$3,214,641 in general obligation and other long-term debt outstanding. This represents a decrease of 28.71% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$1,370,000 at June 30, 2011.

The District had outstanding revenue bonds of \$1,375,000 at June 30, 2011.

The District had outstanding capital leases of \$7,585 at June 30, 2011.

The District had early retirement payable of \$360,818 at June 30, 2011, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District also had compensated absences payable of \$101,238 at June 30, 2011, which will be paid primarily out of the General Fund.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental | | Total |
|--------------------------|--------------|-----------|----------|
| | Activities | | Change |
| | June 30, | June 30, | June 30, |
| | 2011 | 2010 | 2010-11 |
| General obligation bonds | \$ 1,370,000 | 1,605,000 | -14.64% |
| Revenue bonds | 1,375,000 | 2,222,296 | -38.13% |
| Capital loan notes | 7,585 | 22,065 | -65.62% |
| Socreboard lease | - | 7,180 | -100.00% |
| Early retirement | 360,818 | 536,540 | -32.75% |
| Compensated absences | 101,238 | 116,087 | -12.79% |
| Totals | \$ 3,214,641 | 4,509,168 | -28.71% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Centerville Community School District

Basic Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments: | \$ 3,417,745 | 131,711 | 3,549,456 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 90,298 | - | 90,298 |
| Succeeding year | 4,352,253 | - | 4,352,253 |
| Income surtax | 193,326 | - | 193,326 |
| Accounts | 21,993 | - | 21,993 |
| Due from other governments | 623,200 | - | 623,200 |
| Inventories | - | 9,476 | 9,476 |
| Capital assets not being depreciated: | | | |
| Land | 204,400 | - | 204,400 |
| Capital assets being depreciated, net of accumulated depreciation: | | | |
| Buildings | 8,558,434 | - | 8,558,434 |
| Land improvements | 162,933 | - | 162,933 |
| Machinery and equipment | 554,495 | 55,243 | 609,738 |
| Net OPEB asset | 296,011 | 7,989 | 304,000 |
| Total Assets | 18,475,088 | 204,419 | 18,679,507 |
| Liabilities | | | |
| Accounts payable | 573,999 | 300 | 574,299 |
| Salaries and benefits payable | 1,607,739 | 43,270 | 1,651,009 |
| Interest payable | 34,840 | - | 34,840 |
| Deferred revenue: | | | |
| Succeeding year property tax | 4,352,253 | - | 4,352,253 |
| Other | 261,134 | - | 261,134 |
| Unearned revenue | - | 7,732 | 7,732 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Bonds payable | 250,000 | - | 250,000 |
| Revenue bonds payable | 245,000 | - | 245,000 |
| Capital lease payable | 7,585 | - | 7,585 |
| Early retirement payable | 152,505 | - | 152,505 |
| Compensated absences payable | 101,238 | - | 101,238 |
| Portion due after one year: | | | |
| Bonds payable | 1,120,000 | - | 1,120,000 |
| Revenue bonds payable | 1,130,000 | - | 1,130,000 |
| Early retirement payable | 208,313 | - | 208,313 |
| Total Liabilities | 10,044,606 | 51,302 | 10,095,908 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 6,727,677 | 55,243 | 6,782,920 |
| Restricted for: | | | |
| Categorical funding | 659,116 | - | 659,116 |
| Debt service | 339,063 | - | 339,063 |
| Student Activities | 199,626 | - | 199,626 |
| Support trust | 291,540 | - | 291,540 |
| School infrastructure | 257,549 | - | 257,549 |
| Physical plant and equipment levy | 73,272 | - | 73,272 |
| Unrestricted | (117,361) | 97,874 | (19,487) |
| Total Net Assets | \$ 8,430,482 | 153,117 | 8,583,599 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | Total |
|-------------------------------------|----------------------|-------------------------|--|--|----------------|---------------------|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Primary Government | | |
| Governmental Activities | | | | Business Type Activities | | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 5,573,629 | 396,910 | 998,919 | (4,177,800) | - | (4,177,800) |
| Special | 1,935,888 | 36,994 | 391,389 | (1,507,505) | - | (1,507,505) |
| Other | 2,181,691 | 243,357 | 1,037,885 | (900,449) | - | (900,449) |
| | <u>9,691,208</u> | <u>677,261</u> | <u>2,428,193</u> | <u>(6,585,754)</u> | <u>-</u> | <u>(6,585,754)</u> |
| Support services: | | | | | | |
| Student | 461,140 | - | - | (461,140) | - | (461,140) |
| Instructional staff | 422,164 | - | 37,575 | (384,589) | - | (384,589) |
| Administration | 1,569,433 | - | 1,877 | (1,567,556) | - | (1,567,556) |
| Operation and maintenance of plant | 1,165,688 | - | 63,035 | (1,102,653) | - | (1,102,653) |
| Transportation | 610,519 | 1,277 | - | (609,242) | - | (609,242) |
| | <u>4,228,944</u> | <u>1,277</u> | <u>102,487</u> | <u>(4,125,180)</u> | <u>-</u> | <u>(4,125,180)</u> |
| Other expenses: | | | | | | |
| Long-term debt interest | 134,263 | - | - | (134,263) | - | (134,263) |
| AEA flowthrough | 601,275 | - | 601,275 | - | - | - |
| Depreciation(unallocated)* | 342,691 | - | - | (342,691) | - | (342,691) |
| | <u>1,078,229</u> | <u>-</u> | <u>601,275</u> | <u>(476,954)</u> | <u>-</u> | <u>(476,954)</u> |
| Total governmental activities | <u>14,998,381</u> | <u>678,538</u> | <u>3,131,955</u> | <u>(11,187,888)</u> | <u>-</u> | <u>(11,187,888)</u> |
| Business Type activities: | | | | | | |
| Support services: | | | | | | |
| Administration | 4,293 | - | - | - | (4,293) | (4,293) |
| Operation and maintenance of plant | 11,164 | - | - | - | (11,164) | (11,164) |
| Transportation | 3,335 | - | - | - | (3,335) | (3,335) |
| Non-instructional programs: | | | | | | |
| Food service operations | 626,296 | 248,752 | 395,740 | - | 18,196 | 18,196 |
| Total business type activities | <u>645,088</u> | <u>248,752</u> | <u>395,740</u> | <u>-</u> | <u>(596)</u> | <u>(596)</u> |
| Total primary government | <u>\$ 15,643,469</u> | <u>927,290</u> | <u>3,527,695</u> | <u>(11,187,888)</u> | <u>(596)</u> | <u>(11,188,484)</u> |
| General Revenues: | | | | | | |
| Property tax levied for: | | | | | | |
| General purposes | | | | \$ 3,489,777 | - | 3,489,777 |
| Debt service | | | | 145,198 | - | 145,198 |
| Capital outlay | | | | 196,782 | - | 196,782 |
| Income surtax | | | | 190,320 | - | 190,320 |
| Statewide sales and services tax | | | | 979,494 | - | 979,494 |
| City sales and services tax | | | | 101,700 | - | 101,700 |
| Unrestricted state grants | | | | 7,349,468 | - | 7,349,468 |
| Nonspecific program federal revenue | | | | 448,052 | - | 448,052 |
| Unrestricted investment earnings | | | | 23,259 | 97 | 23,356 |
| Other general revenues | | | | 445,936 | 3,719 | 449,655 |
| Transfers | | | | (7,826) | - | (7,826) |
| Total general revenues | | | | <u>13,362,160</u> | <u>3,816</u> | <u>13,365,976</u> |
| Changes in net assets | | | | 2,174,272 | 3,220 | 2,177,492 |
| Net assets beginning of year | | | | 6,256,210 | 149,897 | 6,406,107 |
| Net assets end of year | | | | <u>\$ 8,430,482</u> | <u>153,117</u> | <u>8,583,599</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30 2011

| | General | Capital Projects | Nonmajor Governmental | Total |
|--|---------------------|---------------------|--------------------------|------------------|
| Assets | | | | |
| Cash and pooled investments: | | | | |
| Other | \$ 1,974,095 | 361,977 | 1,081,673 | 3,417,745 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 74,717 | 4,657 | 10,924 | 90,298 |
| Succeeding year | 3,532,696 | 218,504 | 601,053 | 4,352,253 |
| Income surtax | 96,663 | 96,663 | - | 193,326 |
| Interfund | 10,088 | - | - | 10,088 |
| Accounts | 1,108 | 18,407 | 2,478 | 21,993 |
| Due from other governments | 350,799 | 271,436 | 965 | 623,200 |
| Total Assets | \$ 6,040,166 | 971,644 | 1,697,093 | 8,708,903 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Interfund payable | \$ - | 10,088 | - | 10,088 |
| Accounts payable | 245,365 | 315,568 | 13,066 | 573,999 |
| Salaries and benefits payable | 1,607,739 | - | - | 1,607,739 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 3,532,696 | 218,504 | 601,053 | 4,352,253 |
| Income surtax | 96,663 | 96,663 | - | 193,326 |
| Other | 261,134 | - | - | 261,134 |
| Total liabilities | 5,743,597 | 640,823 | 614,119 | 6,998,539 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Categorical funding | 659,116 | - | - | 659,116 |
| Debt service | - | - | 339,063 | 339,063 |
| Management levy purposes | - | - | 252,745 | 252,745 |
| Student Activities | - | - | 199,626 | 199,626 |
| Support trust | - | - | 291,540 | 291,540 |
| School infrastructure | - | 257,549 | - | 257,549 |
| Physical plant and equipment levy | - | 73,272 | - | 73,272 |
| Unassigned | (362,547) | - | - | (362,547) |
| Total fund balances | 296,569 | 330,821 | 1,082,974 | 1,710,364 |
| Total Liabilities and Fund Balances | \$ 6,040,166 | 971,644 | 1,697,093 | 8,708,903 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

| | | |
|---|-----------|-------------------------|
| Total fund balances of governmental funds(page 20) | \$ | 1,710,364 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. | | 9,480,262 |
| 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. | | (34,840) |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. | | 193,326 |
| Other post employment benefits are not yet available to finance expenditures of the current fiscal period. | | 296,011 |
| Long-term liabilities, including bonds payable, capital lease payable, early retirement payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | <u>(3,214,641)</u> |
| Net assets of governmental activities(page 18) | \$ | <u>8,430,482</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

| | General | Capital Projects | Nonmajor Governmental | Total |
|--|-------------------|---------------------|--------------------------|-------------------|
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 3,264,614 | 1,272,945 | 464,678 | 5,002,237 |
| Tuition | 401,054 | - | - | 401,054 |
| Other | 454,784 | 22,205 | 513,750 | 990,739 |
| Intermediate sources | - | 101,700 | - | 101,700 |
| State sources | 9,193,389 | 182 | 428 | 9,193,999 |
| Federal sources | 1,427,180 | 63,707 | 529 | 1,491,416 |
| Total revenues | <u>14,741,021</u> | <u>1,460,739</u> | <u>979,385</u> | <u>17,181,145</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,688,163 | 45,470 | 132,635 | 5,866,268 |
| Special | 1,970,300 | - | 5,383 | 1,975,683 |
| Other | 1,913,950 | - | 291,030 | 2,204,980 |
| | <u>9,572,413</u> | <u>45,470</u> | <u>429,048</u> | <u>10,046,931</u> |
| Support services: | | | | |
| Student | 462,696 | - | 1,077 | 463,773 |
| Instructional staff | 355,657 | 63,090 | - | 418,747 |
| Administration | 1,464,975 | - | 143,394 | 1,608,369 |
| Operation and maintenance of plant | 1,205,533 | - | 50,090 | 1,255,623 |
| Transportation | 485,569 | 180,946 | 17,202 | 683,717 |
| | <u>3,974,430</u> | <u>244,036</u> | <u>211,763</u> | <u>4,430,229</u> |
| Other expenditures: | | | | |
| Facilities acquisitions | - | 507,250 | - | 507,250 |
| Long-term debt: | | | | |
| Principal | - | - | 1,103,956 | 1,103,956 |
| Interest and fiscal charges | - | - | 152,990 | 152,990 |
| AEA flowthrough | 601,275 | - | - | 601,275 |
| | <u>601,275</u> | <u>507,250</u> | <u>1,256,946</u> | <u>2,365,471</u> |
| Total expenditures | <u>14,148,118</u> | <u>796,756</u> | <u>1,897,757</u> | <u>16,842,631</u> |
| Excess(deficiency) of revenues over(under) expenditures | 592,903 | 663,983 | (918,372) | 338,514 |
| Other financing sources(uses): | | | | |
| Transfers in | - | 86,135 | 693,049 | 779,184 |
| Transfers out | (37,349) | (734,143) | (15,518) | (787,010) |
| Total other financing sources(uses) | <u>(37,349)</u> | <u>(648,008)</u> | <u>677,531</u> | <u>(7,826)</u> |
| Net change in fund balances | 555,554 | 15,975 | (240,841) | 330,688 |
| Fund balances beginning of year, as restated | <u>(258,985)</u> | <u>314,846</u> | <u>1,323,815</u> | <u>1,379,676</u> |
| Fund balances end of year | <u>\$ 296,569</u> | <u>330,821</u> | <u>1,082,974</u> | <u>1,710,364</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 330,688

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

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

| | | |
|------------------------------------|----------------|---------|
| Capital outlays | \$ 892,242 | |
| Depreciation expense | (428,184) | |
| Loss on disposal of capital assets | <u>(1,069)</u> | 462,989 |

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,103,956

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. 18,727

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (666)

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

| | | |
|-------------------------------|---------------|----------------|
| Early retirement | 175,722 | |
| Compensated absences | 14,849 | |
| Other postemployment benefits | <u>68,007</u> | <u>258,578</u> |

Changes in net assets of governmental activities(page 19) \$ 2,174,272

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

| | School Nutrition |
|---|---------------------|
| Assets | |
| Current assets: | |
| Cash and pooled investments | \$ 131,711 |
| Inventories | 9,476 |
| Total current assets | 141,187 |
| Non-current assets: | |
| Capital assets: | |
| Machinery and equipment, net of accumulated depreciation | 55,243 |
| Net OPEB asset | 7,989 |
| Total non-current assets | 63,232 |
| Total assets | 204,419 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 300 |
| Salaries and benefits payable | 43,270 |
| Unearned revenue | 7,732 |
| Total liabilities | 51,302 |
| Net Assets | |
| Invested in capital assets | 55,243 |
| Unrestricted | 97,874 |
| Total net assets | \$ 153,117 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

| | School Nutrition |
|-------------------------------------|---------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 248,752 |
| Miscellaneous | 3,719 |
| | 252,471 |
| Operating expenses: | |
| Support services: | |
| Administration: | |
| Services | 1,728 |
| Supplies | 2,135 |
| Other | 430 |
| | 4,293 |
| Operation and maintenance of plant: | |
| Services | 11,164 |
| Transportation: | |
| Services | 213 |
| Supplies | 3,122 |
| | 3,335 |
| Total support services | 18,792 |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 247,013 |
| Benefits | 67,439 |
| Services | 1,470 |
| Supplies | 297,650 |
| Depreciation | 12,724 |
| Total non-instructional programs | 626,296 |
| Total operating expenses | 645,088 |
| Operating loss | (392,617) |
| Non-operating revenues: | |
| State sources | 5,929 |
| Federal sources | 389,811 |
| Interest on investments | 97 |
| Total non-operating revenues | 395,837 |
| Change in net assets | 3,220 |
| Net assets beginning of year | 149,897 |
| Net assets end of year | \$ 153,117 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2011

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 248,854 |
| Cash received from miscellaneous sources | 3,719 |
| Cash payments to employees for services | (317,814) |
| Cash payments to suppliers for goods or services | (286,761) |
| Net cash used in operating activities | (352,002) |
| Cash flows from non-capital financing activities: | |
| State grants received | 5,929 |
| Federal grants received | 360,291 |
| Net cash provided by non-capital financing activities | 366,220 |
| Cash flows from investing activities: | |
| Interest on investments | 97 |
| Net cash provided by investing activities | 97 |
| Net increase in cash and cash equivalents | 14,315 |
| Cash and cash equivalents at beginning of year | 117,396 |
| Cash and cash equivalents at end of year | \$ 131,711 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (392,617) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities used | 29,520 |
| Depreciation | 12,724 |
| Decrease in inventories | 5,147 |
| Decrease in accounts receivable | 174 |
| Decrease in accounts payable | (3,516) |
| Decrease in salaries and benefits payable | (1,525) |
| Decrease in unearned revenue | (72) |
| Increase in other postemployment benefits asset | (1,837) |
| Net cash used in operating activities | \$ (352,002) |

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$29,520.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

| | <u>Private Purpose Trust Scholarship</u> |
|-----------------------------|--|
| Assets | |
| Cash and pooled investments | \$ 359,433 |
| Liabilities | <u>-</u> |
| Net Assets | |
| Reserved for scholarships | <u>\$ 359,433</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

| | Private Purpose Trust |
|--|--------------------------|
| | Scholarship |
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ 4,225 |
| Interest income | 3,440 |
| Total additions | 7,665 |
| Deductions: | |
| Instruction: | |
| Regular instruction: | |
| Scholarships awarded | 12,150 |
| Total deductions | 12,150 |
| Change in net assets before other financing sources | (4,485) |
| Other financing sources: | |
| Transfers in | 7,826 |
| Change in net assets | 3,341 |
| Net assets beginning of year | 356,092 |
| Net assets end of year | \$ 359,433 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District also reports the following proprietary fund:

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

The District also reports the following fiduciary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Equity

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

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

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

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

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

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

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

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

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

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2011, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2011.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the statement of net assets and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Fund Equity - In the governmental fund financial statements, 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

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 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 \$88 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

Note 3. Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---|--|-------------------|
| Debt Service | Capital Projects: Statewide Sales and Services Tax | \$ 599,522 |
| Debt Service | Capital Projects: City Sales and Services Tax | 70,386 |
| Debt Service | General Fund | 15,449 |
| Capital Projects: Physical Plant and Equipment Levy | Capital Projects: Statewide Sales and Services Tax | 47,267 |
| Capital Projects: High School Construction | Capital Projects: Statewide Sales and Services Tax | 16,968 |
| Capital Projects: Physical Plant and Equipment Levy | General Fund | 442 |
| Capital Projects: Statewide Sales and Services Tax | General Fund | 21,458 |
| Debt Service | Student Activity Fund | 7,692 |
| Fiduciary Trust Fund | Special Revenue Trust Fund | <u>7,826</u> |
| Total | | <u>\$ 787,010</u> |

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

The Capital Projects: Statewide Sales and Service and Use Tax Fund is transferring money to finance the revenue bonds payments made from the Debt Service Fund.

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

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

The Capital Projects: Statewide Sales and Service and Use Tax Fund is transferring money to the Physical Plant and Equipment Levy Fund for expenses that should have been paid from Capital Projects: Statewide Sales and Service and Use Tax Fund.

The Capital Projects: Statewide Sales and Service and Use Tax Fund is transferring money to the Capital Projects: High School Construction Fund to close out the fund.

The General Fund is transferring money to the Physical Plant and Equipment Levy for expenditures in the prior year that were unallowable.

The General Fund is transferring money to the Capital Projects, State Sales and Service and Use Tax Fund for expenditures in the prior year that were unallowable.

The Nonmajor Special Revenue Fund, Student Activity Fund is transferring money to cover the cost of the scoreboard lease.

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

Note 4. Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's participation in ISCAP as of June 30, 2011 is as follows:

| Series | Warrant Date | Final Warrant Maturity | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|--------------|------------------------|---------------------------|-------------------|-----------------|---------------------|
| 2010-11A | 6/30/10 | 6/23/11 | \$ - | \$ 900,000 | \$ 900,000 | \$ - |

During the year ended June 30, 2011, the District paid \$4,192 of interest on the ISCAP warrants.

Note 5. Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------|-----------|-----------|---------------------|
| Business type activities: | | | | |
| Machinery and equipment | \$ 256,349 | - | 4,934 | 251,415 |
| Less accumulated depreciation | 188,382 | 12,724 | 4,934 | 196,172 |
| Business type activities capital assets, net | \$ 67,967 | 12,724 | - | 55,243 |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 204,400 | - | - | 204,400 |
| Total capital assets not being depreciated | 204,400 | - | - | 204,400 |
| Capital assets being depreciated: | | | | |
| Buildings | 14,901,473 | 608,197 | - | 15,509,670 |
| Land improvements | 454,021 | - | 3,054 | 450,967 |
| Machinery and equipment | 2,705,082 | 284,045 | 245,423 | 2,743,704 |
| Total capital assets being depreciated | 18,060,576 | 892,242 | 248,477 | 18,704,341 |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,631,093 | 320,143 | - | 6,951,236 |
| Land improvements | 267,471 | 22,548 | 1,985 | 288,034 |
| Machinery and equipment | 2,349,139 | 85,493 | 245,423 | 2,189,209 |
| Total accumulated depreciation | 9,247,703 | 428,184 | 247,408 | 9,428,479 |
| Total capital assets being depreciated, net | 8,812,873 | 464,058 | 1,069 | 9,275,862 |
| Governmental activities capital assets, net | \$ 9,017,273 | 464,058 | 1,069 | 9,480,262 |

Depreciation expense was charged by the District as follows:

| | |
|--|------------|
| Governmental activities: | |
| Transportation | \$ 85,493 |
| Unallocated depreciation | 342,691 |
| Total governmental activities depreciation expense | \$ 428,184 |
| Business type activities: | |
| Food services | \$ 12,724 |

Note 6. Long-Term Debt

A summary of changes in long-term debt for governmental activities for the year ended June 30, 2011 are as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|---------------------------------|---------------------------------|------------|--------------|---------------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds | \$ 1,605,000 | \$ - | \$ 235,000 | \$ 1,370,000 | \$ 250,000 |
| Revenue Bonds | 2,222,296 | - | 847,296 | 1,375,000 | 245,000 |
| Capital Leases | 22,065 | - | 14,480 | 7,585 | 7,585 |
| Scoreboard Lease | 7,180 | - | 7,180 | - | - |
| Early Retirement | 536,540 | - | 175,722 | 360,818 | 152,505 |
| Compensated Absences | 116,087 | 101,238 | 116,087 | 101,238 | 101,238 |
| Total | \$ 4,509,168 | \$ 101,238 | \$ 1,395,765 | \$ 3,214,641 | \$ 756,328 |

Bonded debt

On July 1, 2004 the District issued general obligation bonds of \$4,000,000 for capital facility construction. The General Obligation Bonds will be paid with property taxes collected in the Debt Service Fund. Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of July 1, 2004 | | | |
|----------------------------|----------------------------|---------------------|-------------------|---------------------|
| | Rate | Principal | Interest | Total |
| 2012 | 5.00 % | \$ 250,000 | 51,053 | 301,053 |
| 2013 | 5.00 | 265,000 | 41,052 | 306,052 |
| 2014 | 5.00 | 275,000 | 31,645 | 306,645 |
| 2015 | 5.00 | 285,000 | 21,608 | 306,608 |
| 2016 | 5.00 | 295,000 | 11,062 | 306,062 |
| Total | | <u>\$ 1,370,000</u> | <u>\$ 156,420</u> | <u>\$ 1,526,420</u> |

On July 1, 2006, the District issued statewide sales and service tax revenue bonds of \$2,370,000 for capital facility construction. The revenue bonds will be paid with statewide and city sales and services taxes collected in the Capital Projects Fund. Details of the District's June 30, 2011 statewide and city sales and service tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of July 1, 2006 | | |
|----------------------------|----------------------------|-------------------|------------------|
| | Principal | Interest | Total |
| 2012 | 245,000 | 58,592 | 303,592 |
| 2013 | 335,000 | 47,652 | 382,652 |
| 2014 | 495,000 | 30,998 | 525,998 |
| 2015 | 300,000 | 6,750 | 306,750 |
| Total | <u>\$1,375,000</u> | <u>\$ 143,992</u> | <u>1,518,992</u> |

The District has pledged future local option sales and services tax revenues to repay the \$2,370,000. The bonds are payable solely from the proceeds of the statewide and city sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2015. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest paid remaining to be paid is \$1,518,992. For the current year \$947,295 in principal and \$90,209 in interest was paid on the bonds and total statewide and city sales and services tax revenues were \$1,081,194.

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

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

Capital Lease

During the year ended June 30, 2007, the District entered into an agreement to lease office equipment for \$65,250. The capital loan notes are payable from the General Fund. Details of the District's June 30, 2011 capital loan notes indebtedness are as follows:

| Year Ending June 30, | Capital Lease of January 22, 2007 | | | |
|----------------------------|-----------------------------------|-----------|----------|-------|
| | Rate | Principal | Interest | Total |
| 2012 | 6.25 % | \$ 7,585 | 139 | 7,724 |

Early Retirement

The District did not offer avoluntary early retirement plan to its certified employees during the fiscal year ended June 30, 2011. Early retirement benefits paid during the year ended June 30, 2011, totaled \$175,722. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

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 190 active and 26 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

| | |
|--|----------------------------|
| Annual required contribution | \$ 124,000 |
| Interest on net OPEB obligation | (11,000) |
| Adjustment to annual required contribution | 9,156 |
| Annual OPEB cost | <u>122,156</u> |
| Contributions made | <u>(192,000)</u> |
| Decrease in net OPEB obligation | (69,844) |
| Net OPEB obligation beginning of year | (234,156) |
| Net OPEB obligation end of year | <u><u>\$ (304,000)</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$292,000 to the medical plan. Plan members eligible for benefits contributed \$292,000, or 50% of the premium costs.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2009 | \$177,000 | 168.36% | (\$121,000) |
| 2010 | \$ 178,844 | 163.27% | (\$ 234,156) |
| 2011 | \$ 122,156 | 157.18% | (\$ 304,000) |

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,203,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,203,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,086,847, and the ratio of the UAAL to covered payroll was 13.26%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the unit credit method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$635 per month for retirees and spouses less than 65. The salary increase rate was assumed to 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The explicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an closed basis over 10 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$667,746, \$651,716 and \$615,232 respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$601,275 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.

Note 11. 28E Agreements

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

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

Note 12. Deficit Fund Balances and Net Assets

The District had a deficit unassigned fund balance in the General Fund of \$362,547. The District had a deficit unrestricted net assets of \$117,361 in the governmental activities.

Note 13. Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 are comprised of the following projects:

| <u>Project</u> | <u>Amount</u> |
|---|-------------------|
| LEP Weighting | \$ 7,625 |
| Gifted and Talanted | 11,537 |
| At-risk dropout prevention | 29,520 |
| Four-year-old preschool | 330,936 |
| Beginning teacher mentoring and induction program | 12,220 |
| Salary improvement program | 77,702 |
| At-risk Innovative K-3 | 481 |
| Educator quality, model core curriculum | 76,509 |
| Educator quality, professional development | 112,586 |
| Total reserved for categorical funding | <u>\$ 659,116</u> |

Note 14. 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:

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Required Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|---------------------------------|--------------------------------|-----------------|------------------|------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 6,394,030 | 252,568 | 6,646,598 | 6,309,647 | 6,309,647 | 336,951 |
| Intermediate sources | 101,700 | - | 101,700 | 92,000 | 92,000 | 9,700 |
| State sources | 9,193,999 | 5,929 | 9,199,928 | 9,972,437 | 9,972,437 | (772,509) |
| Federal sources | 1,491,416 | 389,811 | 1,881,227 | 1,432,100 | 1,432,100 | 449,127 |
| Total revenues | 17,181,145 | 648,308 | 17,829,453 | 17,806,184 | 17,806,184 | 23,269 |
| Expenditures/Expenses: | | | | | | |
| Instruction | 10,046,931 | - | 10,046,931 | 9,926,000 | 10,176,000 | 129,069 |
| Support services | 4,430,229 | 18,792 | 4,449,021 | 4,509,920 | 4,509,920 | 60,899 |
| Non-instructional programs | - | 626,296 | 626,296 | 675,000 | 675,000 | 48,704 |
| Other expenditures | 2,365,471 | - | 2,365,471 | 2,083,197 | 2,485,000 | 119,529 |
| Total expenditures/expenses | 16,842,631 | 645,088 | 17,487,719 | 17,194,117 | 17,845,920 | 358,201 |
| Excess(deficiency) of revenues over(under) expenditures/expenses | 338,514 | 3,220 | 341,734 | 612,067 | (39,736) | 381,470 |
| Other financing sources, net | (7,826) | - | (7,826) | - | - | (7,826) |
| Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses | 330,688 | 3,220 | 333,908 | 612,067 | (39,736) | 373,644 |
| Balance beginning of year | 1,379,676 | 149,897 | 1,529,573 | 1,160,265 | 1,160,265 | 369,308 |
| Balance end of year | \$ 1,710,364 | 153,117 | 1,863,481 | 1,772,332 | 1,120,529 | 742,952 |

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$651,803.

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-c) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2009 | July 1 ,2008 | \$ - | \$ 2,126,000 | \$ 2,126,000 | 0.0% | \$ 8,002,429 | 26.6% |
| 2010 | July 1 ,2008 | \$ - | \$ 2,126,000 | \$ 2,126,000 | 0.0% | \$ 9,868,925 | 21.5% |
| 2011 | July 1 ,2010 | \$ - | \$ 1,203,000 | \$ 1,203,000 | 0.0% | \$ 9,086,847 | 13.2% |

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

Other Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

| | Special Revenue | | | | Total Non Major Governmental Funds |
|--|-------------------------|---------------------|------------------|-----------------|---|
| | Manage- ment Levy | Student Activity | Support Trust | Debt Service | |
| Assets | | | | | |
| Cash and pooled investments | \$ 249,292 | 205,173 | 291,540 | 335,668 | 1,081,673 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 7,529 | - | - | 3,395 | 10,924 |
| Succeeding year | 300,000 | - | - | 301,053 | 601,053 |
| Accounts | 1,000 | 1,478 | - | - | 2,478 |
| Due from other governments | - | 965 | - | - | 965 |
| Total Assets | \$ 557,821 | 207,616 | 291,540 | 640,116 | 1,697,093 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 5,076 | 7,990 | - | - | 13,066 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 300,000 | - | - | 301,053 | 601,053 |
| Total liabilities | 305,076 | 7,990 | - | 301,053 | 614,119 |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Management levy purposes | 252,745 | - | - | - | 252,745 |
| Student activities | - | 199,626 | - | - | 199,626 |
| Support trust | - | - | 291,540 | - | 291,540 |
| Debt service | - | - | - | 339,063 | 339,063 |
| Total fund balances | 252,745 | 199,626 | 291,540 | 339,063 | 1,082,974 |
| Total Liabilities and Fund Balances | \$ 557,821 | 207,616 | 291,540 | 640,116 | 1,697,093 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

YEAR ENDED JUNE 30, 2011

| | Special Revenue | | | | Total |
|---|-------------------------|---------------------|------------------|------------------|------------------|
| | Manage- ment Levy | Student Activity | Support Trust | Debt Service | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 319,480 | - | - | 145,198 | 464,678 |
| Other | 20,324 | 298,963 | 189,762 | 4,701 | 513,750 |
| State sources | 295 | - | - | 133 | 428 |
| Federal sources | 366 | - | - | 163 | 529 |
| TOTAL REVENUES | 340,465 | 298,963 | 189,762 | 150,195 | 979,385 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | | | | | |
| Regular | 128,745 | - | 3,890 | - | 132,635 |
| Special | 5,383 | - | - | - | 5,383 |
| Other | 5,383 | 285,647 | - | - | 291,030 |
| Support services: | | | | | |
| Student | 1,077 | - | - | - | 1,077 |
| Administration | 143,394 | - | - | - | 143,394 |
| Operation and maintenance of plant | 50,090 | - | - | - | 50,090 |
| Transportation | 17,202 | - | - | - | 17,202 |
| Other expenditures: | | | | | |
| Long-term debt: | | | | | |
| Principal | - | - | - | 1,103,956 | 1,103,956 |
| Interest and fiscal charges | - | - | - | 152,990 | 152,990 |
| Total Expenditures | 351,274 | 285,647 | 3,890 | 1,256,946 | 1,897,757 |
| Excess(deficiency) of revenues over(under) expenditures | (10,809) | 13,316 | 185,872 | (1,106,751) | (918,372) |
| Other financing sources(uses): | | | | | |
| Transfer in | - | - | - | 693,049 | 693,049 |
| Transfer out | - | (7,692) | (7,826) | - | (15,518) |
| Total other financing sources(uses) | - | (7,692) | (7,826) | 693,049 | 677,531 |
| Net change in fund balances | (10,809) | 5,624 | 178,046 | (413,702) | (240,841) |
| Fund balances beginning of year, as restated | 263,554 | 194,002 | 113,494 | 752,765 | 1,323,815 |
| Fund balances end of year | \$ 252,745 | 199,626 | 291,540 | 339,063 | 1,082,974 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

YEAR ENDED JUNE 30, 2011

| | Capital Projects | | | Total |
|--|---|-----------------------------------|--|----------------|
| | Statewide Sales, Services and Use Tax | City Sales and Services Tax | Physical Plant and Equipment Levy | |
| Assets | | | | |
| Cash and pooled investments | \$ 154,968 | 81,592 | 125,417 | 361,977 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 4,657 | 4,657 |
| Succeeding year | - | - | 218,504 | 218,504 |
| Income surtax | - | - | 96,663 | 96,663 |
| Accounts | 18,407 | - | - | 18,407 |
| Due from other governments | 188,154 | 20,247 | 63,035 | 271,436 |
| Total Assets | \$ 361,529 | 101,839 | 508,276 | 971,644 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Interfund payable | \$ - | - | 10,088 | 10,088 |
| Accounts payable | 205,819 | - | 109,749 | 315,568 |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | - | 218,504 | 218,504 |
| Income surtax | - | - | 96,663 | 96,663 |
| Total liabilities | 205,819 | - | 435,004 | 640,823 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 155,710 | 101,839 | - | 257,549 |
| Physical plant and equipment levy | - | - | 73,272 | 73,272 |
| Total fund balances | 155,710 | 101,839 | 73,272 | 330,821 |
| Total Liabilities and Fund Balances | \$ 361,529 | 101,839 | 508,276 | 971,644 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 CAPITAL PROJECTS ACCOUNTS

YEAR ENDED JUNE 30, 2011

| | Capital Projects | | | | Total |
|---|-----------------------------|---|-----------------------------------|--|-----------|
| | High School Construction | Statewide Sales, Services and Use Tax | City Sales and Services Tax | Physical Plant and Equipment Levy | |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ - | 979,494 | | 293,451 | 1,272,945 |
| Other | - | 20,711 | 489 | 1,005 | 22,205 |
| Intermediate sources | - | - | 101,700 | - | 101,700 |
| State sources | - | - | - | 182 | 182 |
| Federal sources | - | - | - | 63,707 | 63,707 |
| Total revenues | - | 1,000,205 | 102,189 | 358,345 | 1,460,739 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | - | - | - | 45,470 | 45,470 |
| Support services: | | | | | |
| Instructional staff | - | - | - | 63,090 | 63,090 |
| Transportation | - | - | - | 180,946 | 180,946 |
| | - | - | - | 244,036 | 244,036 |
| Other expenditures: | | | | | |
| Facilities acquisitions | - | 439,899 | - | 67,351 | 507,250 |
| Total expenditures | - | 439,899 | - | 356,857 | 796,756 |
| Excess(deficiency)of revenues over(under) expenditures | - | 560,306 | 102,189 | 1,488 | 663,983 |
| Other financing uses: | | | | | |
| Transfers in | 16,968 | 21,458 | - | 47,709 | 86,135 |
| Transfers out | - | (663,757) | (70,386) | - | (734,143) |
| Total other financing uses | 16,968 | (642,299) | (70,386) | 47,709 | (648,008) |
| Net change in fund balances | 16,968 | (81,993) | 31,803 | 49,197 | 15,975 |
| Fund balance beginning of year, as restated | (16,968) | 237,703 | 70,036 | 24,075 | 314,846 |
| Fund balance end of year | \$ - | 155,710 | 101,839 | 73,272 | 330,821 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE 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 |
|---------------------------------------|---------------------------------|----------|-------------------|---------------------------|
| GENERAL ATHLETICS | \$ 16,138 | 1,820 | 9,203 | 8,755 |
| HIGH SCHOOL GENERAL ACCOUNT | 3,073 | 1,324 | (124) | 4,521 |
| THESPIAN | 7,443 | 5,545 | 3,600 | 9,388 |
| SPEECH | 210 | 3,699 | 3,909 | - |
| VOCAL MUSIC CONCERT ADMISSIONS | 7,076 | 2,914 | 966 | 9,024 |
| VOCAL MUSIC | 307 | - | - | 307 |
| K-3 VOCAL MUSIC | 91 | - | - | 91 |
| INSTRUMENTAL MUSIC CONCERT ADMISSIONS | 158 | 1,908 | 1,215 | 851 |
| HIGH SCHOOL INSTRUMENTAL MUSIC RESALE | - | 2,267 | 1,908 | 359 |
| JUNIOR HIGH INSTRUMENTAL MUSIC | 383 | 1,397 | 1,780 | - |
| LAKEVIEW INSTRUMENTAL MUSIC | 528 | 1,664 | 2,192 | - |
| HIGH SCHOOL JAZZ BANK | 78 | 1,046 | 1,124 | - |
| HIGH SCHOOL INSTRUMENTAL MUSIC | - | 7,483 | 7,376 | 107 |
| JUNIOR HIGH ATHLETICS | 13,669 | 22,302 | 17,940 | 18,031 |
| BOYS CROSS COUNTRY | 733 | 748 | 781 | 700 |
| GIRLS CROSS COUNTRY | 733 | 697 | 730 | 700 |
| BOYS BASKET BALL | 2,800 | 9,257 | 9,057 | 3,000 |
| FOOTBALL | 8,340 | 19,206 | 19,546 | 8,000 |
| BOYS SOCCER | 1,065 | 1,160 | 1,036 | 1,189 |
| BASEBALL | 5,169 | 7,900 | 7,929 | 5,140 |
| BOYS TRACK | 1,315 | 3,152 | 3,438 | 1,029 |
| BOYS TENNIS | 500 | 78 | 78 | 500 |
| BOYS GOLF | 855 | 2,153 | 1,986 | 1,022 |
| WRESTLING | 2,861 | 13,069 | 13,696 | 2,234 |
| GIRLS BASKETBALL | 2,485 | 11,572 | 11,572 | 2,485 |
| VOLLEYBALL | 3,300 | 4,195 | 4,495 | 3,000 |
| GIRLS VOLLEYBALL FUNDRAISERS | 596 | - | - | 596 |
| GIRLS SOCCER | 690 | 440 | 130 | 1,000 |
| SOFTBALL | 6,272 | 17,835 | 21,606 | 2,501 |
| GIRLS TRACK | 901 | 2,260 | 2,081 | 1,080 |
| GIRLS TENNIS | 371 | 400 | 271 | 500 |
| GIRLS GOLF | 980 | - | 240 | 740 |
| ACTIVITY TICKET | 15,572 | 13,711 | 8,666 | 20,617 |
| K-3 GENERAL ACCOUNT | 604 | - | - | 604 |
| CENTRAL POP | 1,109 | 739 | 752 | 1,096 |
| CINCINNATI POP | 230 | 167 | 204 | 193 |
| GARFIELD POP | 942 | - | - | 942 |
| LINCOLN POP | 150 | - | - | 150 |

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2011

| Account (Continued) | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|--|---------------------------------|----------|-------------------|---------------------------|
| LAKEVIEW ACTIVITY | \$ 9,927 | 8,427 | 9,391 | 8,963 |
| LAKEVIEW POP | 1,180 | - | - | 1,180 |
| JUNIOR HIGH ACTIVITY | 24,934 | 19,786 | 19,194 | 25,526 |
| AMERI-CORPS | 725 | - | - | 725 |
| APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL | 545 | - | 56 | 489 |
| PRESCHOOL BUILDING ACTIVITY | 151 | - | - | 151 |
| HIGH SCHOOL BIG RED DINER | 265 | 600 | 716 | 149 |
| HIGH SCHOOL YEARBOOK | 1,778 | 3,887 | 5,615 | 50 |
| HIGH SCHOOL GRADUATION | - | 2,082 | 1,871 | 211 |
| HIGH SCHOOL SCIENCE CLUB | 89 | - | - | 89 |
| FCCLA | 808 | 776 | 1,584 | - |
| FFA | 7,513 | 24,405 | 21,944 | 9,974 |
| NATIONAL HONOR SOCIETY | 511 | 1,989 | 1,903 | 597 |
| HIGH SCHOOL CHEERLEADERS | 598 | 4,516 | 4,572 | 542 |
| STUDENT COUNCIL | 13,988 | 35,469 | 33,834 | 15,623 |
| SOCIAL SCIENCE | 289 | - | - | 289 |
| F.B.L.A. | - | 150 | 32 | 118 |
| OFFICE EDUCATION | 66 | 63 | 84 | 45 |
| STUDENT IOWEGIAN | 27 | - | - | 27 |
| SPANISH CLUB | 959 | - | - | 959 |
| TRAP SHOOTING | 351 | 131 | - | 482 |
| WEIGHT ROOM | 1,408 | 6,097 | 7,319 | 186 |
| MAT CLUB - WRESTLING | 150 | - | - | 150 |
| CLASS OF 2007 | 162 | - | 162 | - |
| CLASS OF 2008 | 523 | - | 523 | - |
| CLASS OF 2009 | 1,998 | - | 1,998 | - |
| CLASS OF 2010 | 1,528 | - | 1,528 | - |
| CLASS OF 2011 | 1,535 | 65 | 315 | 1,285 |
| CLASS OF 2012 | - | 2,290 | 1,366 | 924 |
| ATHLETIC BOOSTER CLUB | 13,867 | 24,958 | 18,785 | 20,040 |
| LICENSES AND PERMITS | - | 170 | 170 | - |
| SCHOOL PROMOTIONS | 400 | - | - | 400 |
| INTEREST | - | 994 | 994 | - |
| TOTALS | \$ 194,002 | 298,963 | 293,339 | 199,626 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS

YEAR ENDED JUNE 30, 2011

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|---------------------------------------|---------------------------------|----------|-------------------|---------------------------|
| MARK TRAXEL MEMORIAL | \$ 2,119 | 17 | 2,136 | - |
| RAY MILLER MEMORIAL | 1,727 | 25 | - | 1,752 |
| ELGIN MEMORIAL | 8,595 | 82 | - | 8,677 |
| RUGGLES MATH AND SCIENCE CETER | 93,703 | 813 | - | 94,516 |
| CLYDE AND VIRGINIA CARNEY MEMORIAL | 7,350 | 7,605 | 9,580 | 5,375 |
| GEORGE AND SHEILA STARCEVICH MEMORIAL | - | 156 | - | 156 |
| KRYSTAL HOWE MEMORIAL | - | 1,871 | - | 1,871 |
| TOM W. KING MEMORIAL | - | 179,193 | - | 179,193 |
| TOTALS | \$ 113,494 | 189,762 | 11,716 | 291,540 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS

YEAR ENDED JUNE 30, 2011

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|------------------------------------|---------------------------------|----------|-------------------|---------------------------|
| RUBBERMAID SCHOLARSHIP | \$ 1,846 | 25 | 249 | 1,622 |
| ORVILLE BUTLER | 1,483 | 25 | - | 1,508 |
| CLASS OF 1949 | 23,925 | 956 | 1,000 | 23,881 |
| DON WHISLER MEMORIAL SCHOLARSHIP | 5,374 | 43 | 1,000 | 4,417 |
| KENNETH ELGIN SCHOLARSHIP | 132,839 | 1,129 | 3,000 | 130,968 |
| MILTON STOUT SCHOLARSHIP | - | 2,024 | - | 2,024 |
| FCCLA SCHOLARSHIP | 998 | 13 | 500 | 511 |
| ROY LIVENGOOD MEMORIAL SCHOLARSHIP | 330 | 273 | 300 | 303 |
| ROBERT HARL MEMORIAL SCHOLARSHIP | 121 | 8 | - | 129 |
| HARRY L DUKES MEMORIAL | 381 | 226 | - | 607 |
| CLASS OF 1958 | 1,507 | 22 | 300 | 1,229 |
| GOWER-VOXMAN SCHOLARSHIP | 2,495 | 33 | - | 2,528 |
| DR. F.B. LEFFERT SCHOLARSHIP | 28,082 | 227 | 800 | 27,509 |
| VIDAS SCHOLARSHIP | 1,048 | 26 | - | 1,074 |
| COLLEEN COOK SCHOLARSHIP | 74,186 | 666 | 2,000 | 72,852 |
| GERALD FOSTER MEORIAL | 21,814 | 190 | 501 | 21,503 |
| DANA MIRITZ SCHOLARSHIP | 20,827 | 1,174 | 500 | 21,501 |
| CLYDE AND VIRGINIA CARNEY MEMORIAL | 38,836 | 8,431 | 2,000 | 45,267 |
| TOTALS | \$ 356,092 | 15,491 | 12,150 | 359,433 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Centerville Community School District

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

FOR THE LAST TEN YEARS

| | Modified Accrual Basis | | | |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | Years Ended June 30, | | | |
| | 2011 | 2010 | 2009 | 2008 |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 5,002,237 | 4,859,312 | 5,008,198 | 5,028,774 |
| Tuition | 401,054 | 341,991 | 375,371 | 387,318 |
| Other | 990,739 | 700,059 | 813,063 | 819,125 |
| Intermediate sources | 101,700 | 94,633 | 103,956 | - |
| State sources | 9,193,999 | 8,543,778 | 9,374,751 | 8,764,929 |
| Federal sources | 1,491,416 | 1,753,662 | 846,605 | 745,151 |
| Total | \$ 17,181,145 | 16,293,435 | 16,521,944 | 15,745,297 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,866,268 | 5,931,468 | 6,045,534 | 5,468,317 |
| Special | 1,975,683 | 1,974,553 | 2,125,759 | 2,155,219 |
| Other | 2,204,980 | 2,261,720 | 1,841,721 | 1,873,705 |
| Support services: | | | | |
| Student | 463,773 | 469,265 | 464,385 | 379,594 |
| Instructional staff | 418,747 | 381,824 | 334,034 | 325,223 |
| Administration | 1,608,369 | 1,492,324 | 1,594,030 | 1,493,600 |
| Operation and maintenance of plant | 1,255,623 | 1,251,321 | 1,344,067 | 1,460,401 |
| Transportation | 683,717 | 693,726 | 645,995 | 580,598 |
| Non-instructional programs | | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisitions | 507,250 | 522,960 | 146,342 | 858,845 |
| Long-term debt: | | | | |
| Principal | 1,103,956 | 774,353 | 772,414 | 699,283 |
| Interest and other charges | 152,990 | 185,984 | 199,292 | 244,297 |
| AEA flow-through | 601,275 | 598,651 | 529,695 | 507,613 |
| Total | \$ 16,842,631 | 16,538,149 | 16,043,268 | 16,046,695 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 8

| Modified Accrual Basis | | | | | |
|------------------------|------------|------------|------------|------------|------------|
| Years Ended June 30, | | | | | |
| 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| 4,782,673 | 4,707,887 | 4,210,359 | 3,548,519 | 3,595,752 | 3,363,475 |
| 388,623 | 431,633 | 255,975 | 318,551 | 226,866 | 276,429 |
| 1,004,363 | 739,564 | 942,469 | 797,036 | 773,121 | 766,670 |
| - | - | - | - | - | - |
| 8,301,430 | 7,929,782 | 7,828,394 | 7,731,425 | 7,740,582 | 8,783,285 |
| 859,871 | 1,032,745 | 949,831 | 942,686 | 688,282 | 598,159 |
| 15,336,960 | 14,841,611 | 14,187,028 | 13,338,217 | 13,024,603 | 13,788,018 |
| 5,650,425 | 5,489,650 | 5,486,876 | 5,569,309 | 5,665,289 | 5,255,466 |
| 2,595,201 | 2,473,743 | 2,578,875 | 2,585,388 | 2,802,256 | 2,528,203 |
| 860,778 | 890,882 | 946,480 | 923,240 | 226,352 | 938,309 |
| 366,232 | 379,001 | 473,602 | 455,113 | 364,208 | 379,837 |
| 269,539 | 419,460 | 368,937 | 258,357 | 287,205 | 289,498 |
| 1,497,455 | 1,283,478 | 1,035,581 | 1,052,848 | 925,776 | 844,327 |
| 1,492,753 | 1,316,773 | 1,286,968 | 1,235,016 | 1,211,234 | 1,156,362 |
| 582,836 | 546,251 | 642,588 | 561,021 | 608,447 | 499,231 |
| - | 13,834 | 25,978 | 34,413 | 42,385 | 21,341 |
| 2,336,795 | 1,034,504 | 1,975,031 | 584,523 | 931,992 | 63,087 |
| 596,595 | 418,668 | 222,000 | 189,000 | 191,000 | 333,000 |
| 250,448 | 229,088 | 155,640 | 165,683 | 177,989 | 192,827 |
| 492,942 | 465,155 | 464,456 | 472,458 | 491,993 | 494,990 |
| 16,991,999 | 14,960,487 | 15,663,012 | 14,086,369 | 13,926,126 | 12,996,478 |

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | EXPENDITURES |
|---|----------------|-----------------|------------------|
| DIRECT: | | | |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE: | | | |
| AMERICORPS | 94.006 | FY 11 | \$ <u>4,000</u> |
| INDIRECT: | | | |
| DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| SCHOOL NUTRITION CLUSTER PROGRAMS: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 11 | 80,777 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 11 | <u>309,034</u> * |
| | | | <u>389,811</u> |
| DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | FY 11 | 214,183 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | 1071-GC | 140,239 |
| TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA) | 84.010 | FY 11 | 11,199 |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT | 84.389 | FY 10 | <u>149,622</u> |
| | | | <u>515,243</u> |
| SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - NATIONAL PROGRAMS | 84.184 | FY 11 | <u>97</u> |
| FUND FOR THE IMPROVEMENT OF EDUCATION (FIRE LIFE SAFETY GRANT) | 84.215 | FY 11 | <u>63,035</u> |
| RURAL EDUCATION ACHIEVEMENT PROGRAM | 84.358 | FY11 | <u>42,438</u> |
| TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS | 84.365 | FY 11 | <u>211</u> |
| IMPROVING TEACHER QUALITY STATE GRANTS | 84.367 | FY 11 | <u>112,200</u> |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A) | 84.369 | FY 11 | <u>9,432</u> |
| STATE FISCAL STABILIZATION FUNDS (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT | 84.394 | FY 11 | 78,720 |
| STATE FISCAL STABILIZATION FUNDS (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT | 84.397 | FY 11 | <u>70,215</u> |
| | | | <u>148,935</u> |
| EDUCATION JOBS FUND | 84.410 | FY 11 | <u>299,117</u> |

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | EXPENDITURES |
|---|----------------|-----------------|---------------------|
| INDIRECT (CONTINUED): | | | |
| GREAT PRAIRIE AREA EDUCATION AGENCY: | | | |
| VOCATIONAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 11 | <u>22,451</u> |
| SPECIAL EDUCATION - IDEA CLUSTER: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B) | 84.027 | FY 11 | 80,602 |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT | 84.391 | FY 10 | <u>65,000</u> |
| | | | <u>145,602</u> |
| DEPARTMENT OF DEFENSE: | | | |
| APPANOOSE COUNTY: | | | |
| FLOOD CONTROL PROJECTS | 12.106 | FY 11 | <u>448</u> |
| TOTAL | | | <u>\$ 1,753,020</u> |

* - Includes \$29,520 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 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 Centerville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Centerville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be significant deficiency.

Compliance and Other Matters

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 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
Centerville Community School District

Compliance

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

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

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

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

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

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

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2012

CENTERVILLE 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) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over 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 did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
 - Clustered Programs
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Centerville Community School District did not qualify as a low-risk auditee.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 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. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition and Student Activity Funds.

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

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

Conclusion - Response accepted.

II-B-11 Scholarships - We noted that scholarship checks written from the scholarship fund were made out to the student only.

Recommendation - Scholarship checks should be written to the School the student is attending and the student. A scholarship is tax free if you are a degree candidate and the award is used to pay for tuition and required fees, books, supplies and equipment. Any amounts used to pay for room and board and a stipend for living expenses is taxable. By issuing the check to the college or university the District can ensure that the scholarships are properly reported on the student's 1098T. If the District wishes to not make the checks payable to the school and the student, the District should issue a W-2 for the scholarship amount. The scholarship amount is subject to federal withholding but not Social Security or Medicare withholdings.

Response - Scholarship checks will continue to be written to students, therefore we will issue a W-2 to the student for the scholarship amount.

Conclusion - Response accepted.

CENTERVILLE 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 Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
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. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition Fund.

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

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

Conclusion - Response accepted.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 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 no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-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 are noted as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|----------------------------|--------|
| Tim Kaster, Transportation Employee Owner of Tim's Mufflers | Battery and muffler | \$ 245 |

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

- IV-E-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 variances in the basic enrollment data certified to the Department of Education. The District's certified enrollment was overstated by 1.0 student that was funded but later reported as not enrolled on count date.

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

Response - The District will contact the Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-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-J-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-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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 reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

| | | | |
|--|---------|---------|------------------|
| Beginning balance | | \$ | 237,703 |
| Statewide sales and services tax revenue | 979,494 | | |
| Other local revenue | 20,711 | | |
| Transfer from other funds | 21,458 | | |
| | | | <u>1,021,663</u> |
| | | | 1,259,366 |
| Expenditures/transfers out: | | | |
| Buildings | \$ | 428,864 | |
| Other | | 11,035 | |
| Transfers to other funds: | | | |
| Debt service fund | | 599,522 | |
| Other transfers | | 64,235 | |
| | | | <u>1,103,656</u> |
| Ending balance | | \$ | <u>155,710</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.

| | <u>Per \$1,000 of Taxable Valuation</u> | <u>Property Tax Dollars</u> |
|-------------------|---|---------------------------------|
| Debt service levy | <u>\$ 0.67365</u> | <u>\$ 150,000</u> |

IV-M-11 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The District recorded PSAT revenues in the High School General Activity Account.

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

Response - Student Activity Fund - PSAT revenues will be recorded and expended from in district's general fund.

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

Conclusion - Response accepted.

IV-N-11 Financial Condition - The District has a a negative unassigned fund balance in the General Fund of \$362,547 as of June 30, 2011. The District also had deficit unrestricted net assets in the Governmental Activities of \$117,361 at June 30, 2011.

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

Response - The administration and board will continue to strive to improve its cash balance which has been challenging with the mid-year across the board reductions in state financial aid of over \$850,000 in recent years and the board's concern with the property tax rate. The district's unused spending authority is in excess of \$3.3 million.

Conclusion - Response accepted.