

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

JUNE 30, 2012

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Nick Hindley	President	2011
Brad Appler	Vice President	2011
Bill Matkovich	Board Member	2011
Jeri Pershy	Board Member	2011
Tom Lange	Board Member	2013
Scott Jackson	Board Member	2011
Marty Braster	Board Member	2013
(After September 2011 election)		
Nick Hindley	President	2015
Richard Roos	Vice President	2015
Bill Matkovich	Board Member	2015
Michelle Moore	Board Member	2015
Scott Jackson	Board Member (Resigned November 2011)	2013
Jeri Pershy	Board Member (Appointed November 2011)	2013
Tom Lange	Board Member	2013
Marty Braster	Board Member	2013
<u>School Officials</u>		
Anthony Ryan	Superintendent	2012
Rob Busch	Business Manager	2012
Linda Henderson	Board Secretary/Treasurer	2012
Rick Engel	Attorney	2012

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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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

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, 2012 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 29, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Pension Plan on pages 7 through 15 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other

knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions 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 three years ended June 30, 2011 (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 three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$14,741,021 in fiscal 2011 to \$14,257,655 in fiscal 2012, and General Fund expenditures increased from \$14,185,467 in fiscal 2011 to \$13,671,624 in fiscal 2012. The District's General Fund balance increased from \$296,569 at the end of fiscal 2011 to \$882,600 at the end of fiscal 2012, a 197.60% increase.
- The decrease in General Fund revenues was primarily attributable to a decrease in federal revenues in 2012. 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.

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.

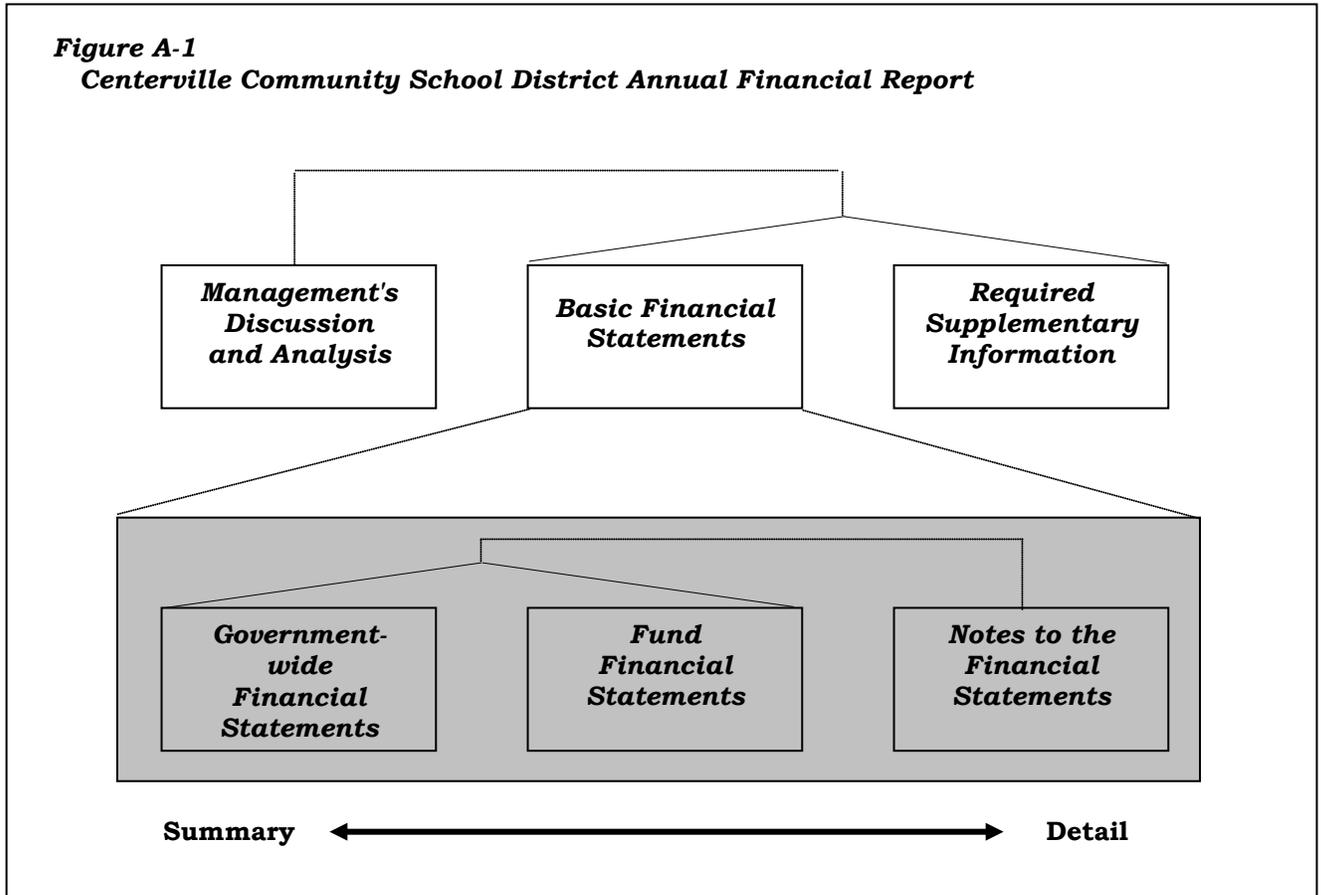


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 fund 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.
- 3) 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.
- 4) *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, 2011 compared to June 30, 2012.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 9,859,229	8,994,826	134,686	149,176	9,993,915	9,144,002	9.29%
Capital assets	9,036,595	9,480,262	43,689	55,243	9,080,284	9,535,505	-4.77%
Total assets	18,895,824	18,475,088	178,375	204,419	19,074,199	18,679,507	2.11%
Long-term obligations	2,489,171	3,214,641	-	-	2,489,171	3,214,641	-22.57%
Other liabilities	6,290,305	6,829,965	49,451	51,302	6,339,756	6,881,267	-7.87%
Total liabilities	8,779,476	10,044,606	49,451	51,302	8,828,927	10,095,908	-12.55%
Net assets:							
Invested in capital assets, net of related debt	6,786,595	6,727,677	43,689	55,243	6,830,284	6,782,920	0.70%
Restricted	2,733,537	1,820,166	-	-	2,733,537	1,820,166	50.18%
Unrestricted	596,216	(117,361)	85,235	97,874	681,451	(19,487)	3596.95%
Total net assets	\$ 10,116,348	8,430,482	128,924	153,117	10,245,272	8,583,599	19.36%

The District's combined net assets increased by 19.36%, or \$1,661,673 over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$913,371, or 50.18% under the prior year. The increase was primarily a result of the increase in the amount restricted for school infrastructure.

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 \$700,938, or 3,596.95%. 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, 2011 compared to June 30, 2012.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 755,410	678,538	240,927	248,752	996,337	927,290	7.45%
Operating grants and contributions and restricted interest	1,714,783	3,131,955	398,179	395,740	2,112,962	3,527,695	-40.10%
Capital grants and contributions and restricted interest	109,045	-	-	-	109,045	-	100.00%
General revenues:							
Property tax	4,363,298	3,831,757	-	-	4,363,298	3,831,757	13.87%
Income surtax	187,737	190,320	-	-	187,737	190,320	-1.36%
Statewide sales, services and use tax	1,053,624	979,494	-	-	1,053,624	979,494	7.57%
City sales and services tax	94,062	101,700	-	-	94,062	101,700	-7.51%
Unrestricted state grants	8,251,812	7,349,468	-	-	8,251,812	7,349,468	12.28%
Nonspecific program federal revenue	4,459	448,052	-	-	4,459	448,052	-99.00%
Unrestricted investment earnings	27,393	23,259	54	97	27,447	23,356	17.52%
Other	206,991	445,936	1,712	3,719	208,703	449,655	-53.59%
Transfers	(1,000)	(7,826)	-	-	(1,000)	(7,826)	-87.22%
Total revenues	16,767,614	17,172,653	640,872	648,308	17,408,486	17,820,961	-2.31%
Program expenses:							
Governmental activities:							
Instruction	9,682,729	9,691,208	-	-	9,682,729	9,691,208	-0.09%
Support services	4,415,853	4,228,944	13,458	18,792	4,429,311	4,247,736	4.27%
Non-instructional programs	-	-	651,607	626,296	651,607	626,296	4.04%
Other expenses	983,166	1,078,229	-	-	983,166	1,078,229	-8.82%
Total expenses	15,081,748	14,998,381	665,065	645,088	15,746,813	15,643,469	0.66%
Changes in net assets	1,685,866	2,174,272	(24,193)	3,220	1,661,673	2,177,492	-23.69%
Net assets beginning of year	8,430,482	6,256,210	153,117	149,897	8,583,599	6,406,107	33.99%
Net assets end of year	\$ 10,116,348	8,430,482	128,924	153,117	10,245,272	8,583,599	19.36%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax, city sales and services tax and unrestricted state grants account for 83.20% of the governmental revenue while charges for services and operating grants and contributions account for 99.72% of the revenue from business type activities.

The District's total revenues were approximately \$17.41 million, of which \$16.77 million was for governmental activities and \$.64 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.31% decrease in revenues and a 0.66% increase in expenses. Nonspecific program federal revenues decreased \$443,593 which caused the majority of the decrease in revenues. The increases in expenses related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues net of transfers for governmental activities were \$16,767,614 and expenses were \$15,081,748.

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		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 9,682,729	9,691,208	-0.09%	\$ 7,825,882	6,585,754	18.83%
Support services	4,415,853	4,228,944	4.42%	4,228,475	4,125,180	2.50%
Other expenses	983,166	1,078,229	-8.82%	448,153	476,954	-6.04%
Totals	<u>\$ 15,081,748</u>	<u>14,998,381</u>	<u>0.56%</u>	<u>\$ 12,502,510</u>	<u>11,187,888</u>	<u>11.75%</u>

- The cost financed by users of the District’s programs was \$755,410.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,823,828.
- The net cost of governmental activities was financed with \$4,363,298 in property tax, \$187,737 in income surtax, \$1,053,624 in statewide sales, services and use tax, \$94,062 in city sales and services tax, \$8,251,812 in unrestricted state grants, \$4,459 in nonspecific program federal revenue, \$27,393 in unrestricted investment earnings, and \$206,991 in other general revenues.

Business Type Activities

Revenues and transfers of the District’s Business type activities were \$640,872 and expenses were \$665,065. 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 \$3,065,385, above last year’s ending fund balances of \$1,710,364. The primary reason for the increase in combined fund balances in fiscal 2012 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. Although the District experienced a decrease in revenues, which was due to a decrease in federal source revenues, This was offset by a decrease in expenditures. The General Fund balance increased from \$296,596 to \$882,600.
- The Capital Projects Accounts total balance increased from \$330,821 at June 30, 2011, to \$1,113,914 at June 30, 2012. This increase was due to revenues from statewide sales, services and use tax revenues in excess of capital expenditures and transfers to the Debt Service Fund.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$153,117 at June 30, 2011 to \$128,924 at June 30, 2012, representing a decrease of 15.8%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$66,757 more than budgeted revenues, a variance of 0.38%. 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, 2012, the District had invested \$9.1 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 \$514,557.

The original cost of the District's capital assets was \$19.21 million. Governmental funds account for \$18.96 million 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 machinery and equipment category. The District's machinery and equipment totaled \$495,250 at June 30, 2012, compared to \$609,738 reported at June 30, 2011. 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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 204,400	204,400	-	-	204,400	204,400	0.00%
Buildings	8,238,290	8,558,434	-	-	8,238,290	8,558,434	-3.74%
Land improvements	142,344	162,933	-	-	142,344	162,933	-12.64%
Machinery and equipment	451,561	554,495	43,689	55,243	495,250	609,738	-18.78%
Total	\$ 9,036,595	9,480,262	43,689	55,243	9,080,284	9,535,505	-4.77%

Long-Term Debt

At June 30, 2012, the District had \$2,489,171 in general obligation and other long-term debt outstanding. This represents a decrease of 22.57% 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 \$1,120,000 at June 30, 2012.

The District had outstanding revenue bonds of \$1,130,000 at June 30, 2012.

The District had a net pension liability of \$58,260 at June 30, 2012.

The District had early retirement payable of \$96,503 at June 30, 2012, which will be paid primarily out of the Special Revenue, Management Levy Fund.

The District also had compensated absences payable of \$84,408 at June 30, 2012, 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,
	2012	2011	2011-12
General obligation bonds	\$ 1,120,000	1,370,000	-18.25%
Revenue bonds	1,130,000	1,375,000	-17.82%
Capital loan notes	-	7,585	-100.00%
Net pension liability	58,260	-	100.00%
Early retirement	96,503	360,818	-73.25%
Compensated absences	84,408	101,238	-16.62%
Totals	<u>\$ 2,489,171</u>	<u>3,214,641</u>	<u>-22.57%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in 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 2013.
- Low allowable growth over the past several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The state financial woes and its inability to make its foundation payments to schools in full compounds the districts economic issues and at this time may be the most serious of the factors causing concern for the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anthony Ryan, Superintendent, 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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments:	\$ 4,355,001	116,117	4,471,118
Receivables:			
Property tax:			
Delinquent	113,948	-	113,948
Succeeding year	4,318,179	-	4,318,179
Income surtax	188,780	-	188,780
Accounts	2,286	-	2,286
Due from other governments	537,599	-	537,599
Inventories	-	9,299	9,299
Capital assets not being depreciated:			
Land	204,400	-	204,400
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	8,238,290	-	8,238,290
Land improvements	142,344	-	142,344
Machinery and equipment	451,561	43,689	495,250
Net OPEB asset	343,436	9,270	352,706
Total Assets	18,895,824	178,375	19,074,199
Liabilities			
Accounts payable	337,366	963	338,329
Salaries and benefits payable	1,602,390	40,892	1,643,282
Interest payable	28,677	-	28,677
Deferred revenue:			
Succeeding year property tax	4,318,179	-	4,318,179
Other	3,693	-	3,693
Unearned revenue	-	7,596	7,596
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	265,000	-	265,000
Revenue bonds payable	335,000	-	335,000
Early retirement payable	96,503	-	96,503
Compensated absences payable	84,408	-	84,408
Portion due after one year:			
General obligation bonds payable	855,000	-	855,000
Revenue bonds payable	795,000	-	795,000
Net pension liability	58,260	-	58,260
Total Liabilities	8,779,476	49,451	8,828,927
Net Assets			
Invested in capital assets, net of related debt	6,786,595	43,689	6,830,284
Restricted for:			
Categorical funding	641,872	-	641,872
School infrastructure	968,748	-	968,748
Physical plant and equipment levy	145,166	-	145,166
Management levy purposes	108,458	-	108,458
Student Activities	215,963	-	215,963
Support trust	293,532	-	293,532
Debt service	359,798	-	359,798
Unrestricted	596,216	85,235	681,451
Total Net Assets	\$ 10,116,348	128,924	10,245,272

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,773,881	475,269	111,753	-	(5,186,859)	-	(5,186,859)
Special	1,672,271	33,330	83,631	-	(1,555,310)	-	(1,555,310)
Other	2,236,577	245,871	906,993	-	(1,083,713)	-	(1,083,713)
	<u>9,682,729</u>	<u>754,470</u>	<u>1,102,377</u>	<u>-</u>	<u>(7,825,882)</u>	<u>-</u>	<u>(7,825,882)</u>
Support services:							
Student	488,570	-	3,000	-	(485,570)	-	(485,570)
Instructional staff	448,339	-	6,055	-	(442,284)	-	(442,284)
Administration	1,502,092	-	68,338	-	(1,433,754)	-	(1,433,754)
Operation and maintenance of plant	1,397,377	-	-	109,045	(1,288,332)	-	(1,288,332)
Transportation	579,475	940	-	-	(578,535)	-	(578,535)
	<u>4,415,853</u>	<u>940</u>	<u>77,393</u>	<u>109,045</u>	<u>(4,228,475)</u>	<u>-</u>	<u>(4,228,475)</u>
Long-term debt interest	104,620	-	-	-	(104,620)	-	(104,620)
Other expenses:							
AEA flowthrough	535,013	-	535,013	-	-	-	-
Depreciation(unallocated)*	343,533	-	-	-	(343,533)	-	(343,533)
	<u>878,546</u>	<u>-</u>	<u>535,013</u>	<u>-</u>	<u>(343,533)</u>	<u>-</u>	<u>(343,533)</u>
Total governmental activities	<u>15,081,748</u>	<u>755,410</u>	<u>1,714,783</u>	<u>109,045</u>	<u>(12,502,510)</u>	<u>-</u>	<u>(12,502,510)</u>
Business Type activities:							
Support services:							
Administration	4,315	-	-	-	-	(4,315)	(4,315)
Operation and maintenance of plant	5,701	-	-	-	-	(5,701)	(5,701)
Transportation	3,442	-	-	-	-	(3,442)	(3,442)
Non-instructional programs:							
Food service operations	651,607	240,927	398,179	-	-	(12,501)	(12,501)
Total business type activities	<u>665,065</u>	<u>240,927</u>	<u>398,179</u>	<u>-</u>	<u>-</u>	<u>(25,959)</u>	<u>(25,959)</u>
Total primary government	<u>\$ 15,746,813</u>	<u>996,337</u>	<u>2,112,962</u>	<u>109,045</u>	<u>(12,502,510)</u>	<u>(25,959)</u>	<u>(12,528,469)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,841,074	-	3,841,074
Debt service					301,829	-	301,829
Capital outlay					220,395	-	220,395
Income surtax					187,737	-	187,737
Statewide sales, services and use tax					1,053,624	-	1,053,624
City sales, services and use tax					94,062	-	94,062
Unrestricted state grants					8,251,812	-	8,251,812
Nonspecific program federal revenue					4,459	-	4,459
Unrestricted investment earnings					27,393	54	27,447
Other general revenues					206,991	1,712	208,703
Transfers					(1,000)	-	(1,000)
Total general revenues					<u>14,188,376</u>	<u>1,766</u>	<u>14,190,142</u>
Changes in net assets					1,685,866	(24,193)	1,661,673
Net assets beginning of year					8,430,482	153,117	8,583,599
Net assets end of year					<u>\$ 10,116,348</u>	<u>128,924</u>	<u>10,245,272</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30 2012

	General	Capital Projects	Nonmajor Governmental	Total
Assets				
Cash and pooled investments	\$ 2,357,807	943,584	1,053,610	4,355,001
Receivables:				
Property tax:				
Delinquent	92,519	5,708	15,721	113,948
Succeeding year	3,398,873	212,754	706,552	4,318,179
Income surtax	94,390	94,390	-	188,780
Accounts	1,419	-	867	2,286
Due from other funds	2,230	-	24,395	26,625
Due from other governments	299,348	237,281	970	537,599
Total Assets	\$ 6,246,586	1,493,717	1,802,115	9,542,418
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ -	24,395	2,230	26,625
Accounts payable	264,640	48,264	24,462	337,366
Salaries and benefits payable	1,602,390	-	-	1,602,390
Deferred revenue:				
Succeeding year property tax	3,398,873	212,754	706,552	4,318,179
Income surtax	94,390	94,390	-	188,780
Other	3,693	-	-	3,693
Total liabilities	5,363,986	379,803	733,244	6,477,033
Fund balances:				
Reserved for:				
Categorical funding	641,872	-	-	641,872
School infrastructure	-	968,748	-	968,748
Physical plant and equipment levy	-	145,166	-	145,166
Management levy purposes	-	-	199,578	199,578
Student Activities	-	-	215,963	215,963
Support trust	-	-	293,532	293,532
Debt service	-	-	359,798	359,798
Unassigned	240,728	-	-	240,728
Total fund balances	882,600	1,113,914	1,068,871	3,065,385
Total Liabilities and Fund Balances	\$ 6,246,586	1,493,717	1,802,115	9,542,418

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	3,065,385
 <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.		9,036,595
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.		(28,677)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		188,780
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		343,436
Long-term liabilities, including bonds payable, net pension liability, 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>(2,489,171)</u>
Net assets of governmental activities(page 18)	\$	<u>10,116,348</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
Revenues:				
Local sources:				
Local tax	\$ 3,636,557	1,370,161	602,487	5,609,205
Tuition	364,732	-	-	364,732
Other	312,550	62,583	310,686	685,819
Intermediate sources	-	94,062	-	94,062
State sources	9,043,727	183	507	9,044,417
Federal sources	889,974	84,947	4	974,925
Total revenues	<u>14,247,540</u>	<u>1,611,936</u>	<u>913,684</u>	<u>16,773,160</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,695,337	30,292	132,256	5,857,885
Special	1,703,913	-	5,383	1,709,296
Other	2,020,051	-	263,799	2,283,850
	<u>9,419,301</u>	<u>30,292</u>	<u>401,438</u>	<u>9,851,031</u>
Support services:				
Student	490,406	-	-	490,406
Instructional staff	391,160	43,947	-	435,107
Administration	1,365,952	-	181,687	1,547,639
Operation and maintenance of plant	989,724	-	42,570	1,032,294
Transportation	472,344	8,728	13,909	494,981
	<u>3,709,586</u>	<u>52,675</u>	<u>238,166</u>	<u>4,000,427</u>
Capital outlay	-	425,185	-	425,185
Long-term debt:				
Principal	-	-	502,585	502,585
Interest and fiscal charges	-	-	110,783	110,783
	<u>-</u>	<u>-</u>	<u>613,368</u>	<u>613,368</u>
Other expenditures:				
AEA flowthrough	535,013	-	-	535,013
	<u>535,013</u>	<u>-</u>	<u>-</u>	<u>535,013</u>
Total expenditures	<u>13,663,900</u>	<u>508,152</u>	<u>1,252,972</u>	<u>15,425,024</u>
Excess(Deficiency) of revenues over(under) expenditures	583,640	1,103,784	(339,288)	1,348,136
Other financing sources(uses):				
Sale of capital assets	7,885	-	-	7,885
Transfers in	2,230	111,634	328,415	442,279
Transfers out	(7,724)	(432,325)	(3,230)	(443,279)
Total other financing sources(uses)	<u>2,391</u>	<u>(320,691)</u>	<u>325,185</u>	<u>6,885</u>
Net change in fund balances	586,031	783,093	(14,103)	1,355,021
Fund balances beginning of year	296,569	330,821	1,082,974	1,710,364
Fund balances end of year	<u>\$ 882,600</u>	<u>1,113,914</u>	<u>1,068,871</u>	<u>3,065,385</u>

SEE NOTES TO 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, 2012

Net change in fund balances - total governmental funds(page 22)	\$	1,355,021
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense, in the current year are as follows:		
Capital outlays	\$ 59,336	
Depreciation expense	<u>(503,003)</u>	(443,667)
 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.		
		502,585
 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.		
		6,163
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(4,546)
 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	264,315	
Compensated absences	16,830	
Net pension expense	(58,260)	
Other postemployment benefits	<u>47,425</u>	<u>270,310</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u><u>1,685,866</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 116,117
Inventories	9,299
Total current assets	125,416
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	43,689
Net OPEB asset	9,270
Total non-current assets	52,959
Total assets	178,375
Liabilities	
Current liabilities:	
Accounts payable	963
Salaries and benefits payable	40,892
Unearned revenue	7,596
Total liabilities	49,451
Net Assets	
Invested in capital assets	43,689
Unrestricted	85,235
Total net assets	\$ 128,924

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 240,927
Contribution	250
Miscellaneous	1,712
	242,889
Operating expenses:	
Support services:	
Administration:	
Services	1,800
Supplies	2,465
Other	50
	4,315
Operation and maintenance of plant:	
Services	5,701
Transportation:	
Services	125
Supplies	3,317
	3,442
Total support services	13,458
Non-instructional programs:	
Food service operations:	
Salaries	238,779
Benefits	73,901
Services	929
Supplies	326,444
Depreciation	11,554
Total non-instructional programs	651,607
Total operating expenses	665,065
Operating loss	(422,176)
Non-operating revenues:	
State sources	6,172
Federal sources	391,757
Interest on investments	54
Total non-operating revenues	397,983
Change in net assets	(24,193)
Net assets beginning of year	153,117
Net assets end of year	\$ 128,924

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 240,791
Cash received from miscellaneous sources	1,962
Cash payments to employees for services	(316,339)
Cash payments to suppliers for goods or services	(311,239)
Net cash used in operating activities	(384,825)
 Cash flows from non-capital financing activities:	
State grants received	6,172
Federal grants received	363,005
Net cash provided by non-capital financing activities	369,177
 Cash flows from investing activities:	
Interest on investments	54
 Net decrease in cash and cash equivalents	(15,594)
 Cash and cash equivalents at beginning of year	131,711
 Cash and cash equivalents at end of year	\$ 116,117
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (422,176)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	28,752
Depreciation	11,554
Decrease in inventories	177
Increase in accounts payable	663
Decrease in salaries and benefits payable	(2,378)
Decrease in unearned revenue	(136)
Increase in other postemployment benefits asset	(1,281)
Net cash used in operating activities	\$ (384,825)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$28,752.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 355,642
Liabilities	<u>-</u>
Net Assets	
Restricted for scholarships	<u>\$ 355,642</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,500
Interest income	3,263
Total additions	5,763
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	10,554
Total deductions	10,554
Change in net assets before other financing sources	(4,791)
Other financing sources:	
Transfers in	1,000
Change in net assets	(3,791)
Net assets beginning of year	359,433
Net assets end of year	\$ 355,642

SEE NOTES TO FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports the following nonmajor 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 2012, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2012.

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, 2012. 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

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, 2012 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, 2012, 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 investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales and Services Tax	\$ 219,276
Debt Service	Capital Projects: City Sales and Services Tax	101,415
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales and Services Tax	111,634
Special Revenue: Support Trust Fund	General Fund	2,230
Debt Service	General Fund	7,724
Private Purpose Trust Fund	Special Revenue: Support Trust Fund	1,000
Total		<u>\$ 443,279</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 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 General Fund is transferring money to the Special Revenue: Support Trust Fund for money that was incorrectly receipted into the General Fund in the prior year.

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

The Special Revenue: Support Trust Fund is transferring money to move Trust money to the 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 repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rate on the 2011-12A warrants are variable rates, calculated daily, based on one-month LIBOR rate plus 100 basis points. A summary of the District's participation in ISCAP as of June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/23/12	\$ -	\$ 550,001	\$ 550,001	\$ -

During the year ended June 30, 2012, the District paid \$709 of interest on the ISCAP warrants.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	-	-	204,400
Total capital assets not being depreciated	204,400	-	-	204,400
Capital assets being depreciated:				
Buildings	15,509,670	-	-	15,509,670
Land improvements	450,967	2,800	-	453,767
Machinery and equipment	2,743,704	56,536	6,800	2,793,440
Total capital assets being depreciated	18,704,341	59,336	6,800	18,756,877
Less accumulated depreciation for:				
Buildings	6,951,236	320,144	-	7,271,380
Land improvements	288,034	23,389	-	311,423
Machinery and equipment	2,189,209	159,470	6,800	2,341,879
Total accumulated depreciation	9,428,479	503,003	6,800	9,924,682
Total capital assets being depreciated, net	9,275,862	(443,667)	-	8,832,195
Governmental activities capital assets, net	\$ 9,480,262	(443,667)	-	9,036,595
Business type activities:				
Machinery and equipment	\$ 251,415	-	-	251,415
Less accumulated depreciation	196,172	11,554	-	207,726
Business type activities capital assets, net	\$ 55,243	11,554	-	43,689

Depreciation expense was charged by the District as follows:

Governmental activities:		
Regular Instruction		\$ 71,767
Transportation		87,703
		<u>159,470</u>
Unallocated depreciation		<u>343,533</u>
Total governmental activities depreciation expense		<u>\$ 503,003</u>
Business type activities:		
Food services		<u>\$ 11,554</u>

Note 6. Long-Term Debt

A summary of changes in long-term debt for governmental activities for the year ended June 30, 2012 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,370,000	-	250,000	1,120,000	265,000
Revenue Bonds	1,375,000	-	245,000	1,130,000	335,000
Capital Leases	7,585	-	7,585	-	-
Net pension liability	-	58,260	-	58,260	-
Early Retirement	360,818	21,530	285,845	96,503	96,503
Compensated Absences	101,238	84,408	101,238	84,408	84,408
Total	<u>\$ 3,214,641</u>	<u>164,198</u>	<u>889,668</u>	<u>2,489,171</u>	<u>780,911</u>

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 1, 2005			
	Rate	Principal	Interest	Total
2013	3.55 %	\$ 265,000	41,052	306,052
2014	3.65	275,000	31,645	306,645
2015	3.70	285,000	21,608	306,608
2016	3.75	295,000	11,062	306,062
Total		<u>\$ 1,120,000</u>	<u>105,367</u>	<u>1,225,367</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2006			
	Rate	Principal	Interest	Total
2013	4.40-4.45 %	\$ 335,000	47,652	382,652
2014	4.45-4.50	495,000	30,998	525,998
2015	4.50	300,000	6,750	306,750
Total		<u>\$ 1,130,000</u>	<u>85,400</u>	<u>1,215,400</u>

The District has pledged future local option sales and services tax revenues to repay the \$2,370,000 of bonds issued in July 2006. The bonds were used for the purpose of funding capital facility construction. 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 \$1,267,242. For the current year \$245,000 in principal and \$58,593 in interest was paid on the bonds and total statewide and city sales and services tax revenues were \$1,053,624.

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

- a) \$237,000 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.

Early Retirement

The District did not offer a voluntary early retirement plan to its certified employees during the fiscal year ended June 30, 2012. Early retirement benefits paid during the year ended June 30, 2012, totaled \$285,845. 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. A portion of the early retirement liability is now recorded based on actuarial valuations and is reflected in the net OPEB and net pension liabilities.

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, 2012, 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		(13,680)
Adjustment to annual required contribution		20,974
Annual OPEB cost		<u>131,294</u>
Contributions made		<u>(180,000)</u>
Decrease in net OPEB obligation		(48,706)
Net OPEB obligation beginning of year		(304,000)
Net OPEB obligation end of year	\$	<u><u>(352,706)</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, 2012.

For the year ended June 30, 2012, the District contributed \$180,000 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 178,844	163.27%	\$ (234,156)
2011	122,156	157.18%	(304,000)
2012	131,294	137.10%	(352,706)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$9,424,649, and the ratio of the UAAL to covered payroll was 12.76%. As of June 30, 2012, 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, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

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. Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2012.

Plan Description - The District provides a defined benefit pension benefit to eligible employees. Currently, all employees with the District who retire are eligible for this benefit. There are 191 active members in the plan as of June 30, 2012. The pension benefit is defined by the 2011-12 Master Contract, with the benefit being based on length of service to the District, hourly rate and number of sick leave/flexible leave day accrued. This benefit is paid in one lump sum upon retirement.

Funding Policy - Contribution requirements for the plan are established and may be amended by the District. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding all the pension benefits. Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. 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 pension cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net pension obligation:

Annual required contribution	\$	77,955
Pension payments made		(19,695)
Increase in net pension obligation		<u>58,260</u>
Net pension obligation beginning of year		-
Net pension obligation end of year	<u>\$</u>	<u>58,260</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2011.

The end of year net pension 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, 2012. For the year ended June 30, 2012, the District contributed \$19,695 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 77,955	25.26%	\$ 58,260

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$628,605, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$628,605. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,424,649 and the ratio of the UAAL to covered payroll was 6.7%. As of June 30, 2012, 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 employee retirement age. 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 for the Supplemental Pension Plan, 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, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. An inflation rate of 3% is assumed for purposes of this computation. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB.

Note 9. 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 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$760,569, \$667,746 and \$651,716 respectively, equal to the required contributions for each year.

Note 10. 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 11. 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 \$535,013 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12. 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 Howard 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 13. Categorical Funding

The District’s ending restricted balances for categorical funding as of June 30, 2012 are comprised of the following projects:

Project	Amount
LEP Weighting	\$ 12,460
Gifted and Talanted	22,022
Home school assistance program	1,853
Four-year-old preschool	372,231
Beginning teacher mentoring and induction program	12,508
Salary improvement program	74,302
At-risk Innovative K-3	481
Educator quality, model core curriculum	100,569
Educator quality, professional development	45,446
	<hr/>
Total reserved for categorical funding	<u>\$ 641,872</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 6,659,756	242,943	6,902,699	6,788,081	6,788,081	114,618
Intermediate sources	94,062	-	94,062	85,000	85,000	9,062
State sources	9,044,417	6,172	9,050,589	9,262,194	9,262,194	(211,605)
Federal sources	974,925	391,757	1,366,682	1,212,000	1,212,000	154,682
Total revenues	16,773,160	640,872	17,414,032	17,347,275	17,347,275	66,757
Expenditures/Expenses:						
Instruction	9,851,031	-	9,851,031	10,345,400	10,345,400	494,369
Support services	4,000,427	13,458	4,013,885	4,516,200	4,516,200	502,315
Non-instructional programs	-	651,607	651,607	700,000	700,000	48,393
Other expenditures	1,573,566	-	1,573,566	1,970,941	1,970,941	397,375
Total expenditures/expenses	15,425,024	665,065	16,090,089	17,532,541	17,532,541	1,442,452
Excess(deficiency) of revenues over(under) expenditures/expenses	1,348,136	(24,193)	1,323,943	(185,266)	(185,266)	1,509,209
Other financing sources, net	6,885	-	6,885	-	-	6,885
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,355,021	(24,193)	1,330,828	(185,266)	(185,266)	1,516,094
Balance beginning of year	1,710,364	153,117	1,863,481	1,642,409	1,642,409	221,072
Balance end of year	\$ 3,065,385	128,924	3,194,309	1,457,143	1,457,143	1,737,166

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0%	\$ 9,868,925	21.5 %
July 1, 2010	-	1,203,000	1,203,000	0.0%	9,086,847	13.2
July 1, 2010	-	1,203,000	1,203,000	0.0%	9,424,649	12.8

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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION 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)
2012	July 1, 2011	\$ -	\$ 628,605	\$ 628,605	0.0%	\$ 9,424,649	6.7 %

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Support Trust	Total	Debt Service	
Assets						
Cash and pooled investments	\$ 197,150	208,190	296,336	701,676	351,934	1,053,610
Receivables:						
Property tax:						
Delinquent	7,857	-	-	7,857	7,864	15,721
Succeeding year	399,999	-	-	399,999	306,553	706,552
Accounts	-	867	-	867	-	867
Due from other funds	-	24,395	-	24,395	-	24,395
Due from other governments	-	970	-	970	-	970
Total Assets	\$ 605,006	234,422	296,336	1,135,764	666,351	1,802,115
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	\$ -	-	2,230	2,230	-	2,230
Accounts payable	5,429	18,459	574	24,462	-	24,462
Deferred revenue:						
Succeeding year property tax	399,999	-	-	399,999	306,553	706,552
Total liabilities	405,428	18,459	2,804	426,691	306,553	733,244
Fund Balances:						
Restricted for:						
Management levy purposes	199,578	-	-	199,578	-	199,578
Student activities	-	215,963	-	215,963	-	215,963
Support trust	-	-	293,532	293,532	-	293,532
Debt service	-	-	-	-	359,798	359,798
Total fund balances	199,578	215,963	293,532	709,073	359,798	1,068,871
Total Liabilities and Fund Balances	\$ 605,006	234,422	296,336	1,135,764	666,351	1,802,115

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, 2012

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total	Debt Service	Total
Revenues:						
Local sources:						
Local tax	\$ 300,658	-	-	300,658	301,829	602,487
Other	21,034	274,753	11,295	307,082	3,604	310,686
State sources	254	-	-	254	253	507
Federal sources	2	-	-	2	2	4
TOTAL REVENUES	321,948	274,753	11,295	607,996	305,688	913,684
Expenditures:						
Current:						
Instruction						
Regular	126,183	-	6,073	132,256	-	132,256
Special	5,383	-	-	5,383	-	5,383
Other	5,383	258,416	-	263,799	-	263,799
Support services:						
Administration	181,687	-	-	181,687	-	181,687
Operation and maintenance of plant	42,570	-	-	42,570	-	42,570
Transportation	13,909	-	-	13,909	-	13,909
Long-term debt:						
Principal	-	-	-	-	502,585	502,585
Interest and fiscal charges	-	-	-	-	110,783	110,783
Total Expenditures	375,115	258,416	6,073	639,604	613,368	1,252,972
Excess(deficiency) of revenues over(under) expenditures	(53,167)	16,337	5,222	(31,608)	(307,680)	(339,288)
Other financing sources(uses):						
Transfer in	-	-	-	-	328,415	328,415
Transfer out	-	-	(3,230)	(3,230)	-	(3,230)
Total other financing sources(uses)	-	-	(3,230)	(3,230)	328,415	325,185
Net change in fund balances	(53,167)	16,337	1,992	(34,838)	20,735	(14,103)
Fund balances beginning of year	252,745	199,626	291,540	743,911	339,063	1,082,974
Fund balances end of year	\$ 199,578	215,963	293,532	709,073	359,798	1,068,871

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

YEAR ENDED JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	City Sales and Services Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 652,148	79,319	212,117	943,584
Receivables:				
Property tax:				
Delinquent	-	-	5,708	5,708
Succeeding year	-	-	212,754	212,754
Income surtax	-	-	94,390	94,390
Due from other governments	221,266	16,015	-	237,281
Total Assets	\$ 873,414	95,334	524,969	1,493,717
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	-	24,395	24,395
Accounts payable	-	-	48,264	48,264
Deferred revenue:				
Succeeding year property tax	-	-	212,754	212,754
Income surtax	-	-	94,390	94,390
Total liabilities	-	-	379,803	379,803
Fund balances:				
Restricted for:				
School infrastructure	873,414	95,334	-	968,748
Physical plant and equipment levy	-	-	145,166	145,166
Total fund balances	873,414	95,334	145,166	1,113,914
Total Liabilities and Fund Balances	\$ 873,414	95,334	524,969	1,493,717

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, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	City Sales and Services Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 1,053,624	-	316,537	1,370,161
Other	36,792	848	24,943	62,583
Intermediate sources	-	94,062	-	94,062
State sources	-	-	183	183
Federal sources	84,220	-	727	84,947
Total revenues	1,174,636	94,910	342,390	1,611,936
Expenditures:				
Current:				
Instruction:				
Regular	-	-	30,292	30,292
Support services:				
Instructional staff	-	-	43,947	43,947
Transportation	-	-	8,728	8,728
	-	-	52,675	52,675
Capital outlay	126,022	-	299,163	425,185
Total expenditures	126,022	-	382,130	508,152
Excess(deficiency)of revenues over(under) expenditures	1,048,614	94,910	(39,740)	1,103,784
Other financing sources(uses):				
Transfer in	-	-	111,634	111,634
Transfers out	(330,910)	(101,415)	-	(432,325)
Total other financing sources(uses)	(330,910)	(101,415)	111,634	(320,691)
Net change in fund balances	717,704	(6,505)	71,894	783,093
Fund balance beginning of year	155,710	101,839	73,272	330,821
Fund balance end of year	\$ 873,414	95,334	145,166	1,113,914

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ATHLETICS	\$ 8,755	-	6,065	2,690
HIGH SCHOOL GENERAL ACCOUNT	4,521	1,194	5,539	176
THESPIAN	9,388	4,774	8,285	5,877
SPEECH	-	4,778	-	4,778
VOCAL MUSIC CONCERT ADMISSIONS	9,024	2,614	1,089	10,549
VOCAL MUSIC	307	-	-	307
K-3 VOCAL MUSIC	91	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	851	1,997	1,209	1,639
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	359	5,060	4,208	1,211
JUNIOR HIGH INSTRUMENTAL MUSIC	-	2,327	2,327	-
LAKEVIEW INSTRUMENTAL MUSIC	-	1,399	775	624
HIGH SCHOOL INSTRUMENTAL MUSIC	107	5,393	5,495	5
JUNIOR HIGH ATHLETICS	18,031	14,515	18,011	14,535
BOYS CROSS COUNTRY	700	683	634	749
GIRLS CROSS COUNTRY	700	633	634	699
BOYS BASKET BALL	3,000	12,435	9,713	5,722
FOOTBALL	8,000	19,389	20,391	6,998
BOYS SOCCER	1,189	1,542	1,542	1,189
BASEBALL	5,140	9,738	12,217	2,661
BOYS TRACK	1,029	2,465	3,160	334
BOYS TENNIS	500	61	61	500
BOYS GOLF	1,022	1,234	1,647	609
WRESTLING	2,234	10,042	9,841	2,435
GIRLS BASKETBALL	2,485	7,487	7,401	2,571
VOLLEYBALL	3,000	6,601	6,351	3,250
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	596
GIRLS SOCCER	1,000	1,106	1,073	1,033
SOFTBALL	2,501	11,719	7,177	7,043
GIRLS TRACK	1,080	2,690	3,366	404
GIRLS TENNIS	500	180	180	500
GIRLS GOLF	740	500	450	790
ACTIVITY TICKET	20,617	12,757	3,593	29,781
K-3 GENERAL ACCOUNT	604	-	436	168
CENTRAL POP	1,096	701	607	1,190
CINCINNATI POP	193	185	218	160
GARFIELD POP	942	-	-	942
LINCOLN POP	150	-	-	150

SCHEDULE 5

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
LAKEVIEW ACTIVITY	\$ 8,963	7,747	8,761	7,949
LAKEVIEW POP	1,180	-	209	971
JUNIOR HIGH ACTIVITY	25,526	21,894	21,650	25,770
AMERI-CORPS	725	-	-	725
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	489	-	-	489
PRESCHOOL BUILDING ACTIVITY	151	-	-	151
HIGH SCHOOL BIG RED DINER	149	432	543	38
HIGH SCHOOL YEARBOOK	50	5,218	5,131	137
HIGH SCHOOL GRADUATION	211	2,450	2,622	39
HIGH SCHOOL SCIENCE CLUB	89	-	76	13
FCCLA	-	839	745	94
FFA	9,974	27,705	27,021	10,658
NATIONAL HONOR SOCIETY	597	1,520	1,506	611
HIGH SCHOOL CHEERLEADERS	542	5,472	3,211	2,803
STUDENT COUNCIL	15,623	27,103	22,184	20,542
SOCIAL SCIENCE	289	-	-	289
F.B.L.A.	118	504	386	236
OFFICE EDUCATION	45	-	-	45
STUDENT IOWEGIAN	27	-	-	27
SPANISH CLUB	959	-	-	959
TRAP SHOOTING	482	-	150	332
WEIGHT ROOM	186	363	135	414
MAT CLUB - WRESTLING	150	-	-	150
CLASS OF 2011	1,285	-	-	1,285
CLASS OF 2012	924	55	106	873
CLASS OF 2013	-	2,750	1,265	1,485
ATHLETIC BOOSTER CLUB	20,040	23,395	17,913	25,522
SCHOOL PROMOTIONS	400	-	-	400
INTEREST	-	1,107	1,107	-
TOTALS	\$ 199,626	274,753	258,416	215,963

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS

YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RAY MILLER MEMORIAL	\$ 1,752	11	-	1,763
ELGIN MEMORIAL	8,677	89	-	8,766
CLYDENE HINDLEY MEMORIAL	-	245	242	3
RUGGLES MATH AND SCIENCE CENTER	94,516	841	5,797	89,560
CLYDE AND VIRGINIA CARNEY MEMORIAL	5,375	6,955	2,763	9,567
GEORGE AND SHEILA STARCEVICH MEMORIAL	156	-	-	156
KRYSTAL HOWE MEMORIAL	1,871	14	-	1,885
TOM W. KING MEMORIAL	179,193	1,638	-	180,831
BENJAMIN BEAN MEMORIAL	-	1,002	501	501
IOWA STUDENT LOAN	-	500	-	500
TOTALS	\$ 291,540	11,295	9,303	293,532

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS

YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 1,622	10	250	1,382
ORVILLE BUTLER	1,508	10	-	1,518
CLASS OF 1949	23,881	708	501	24,088
DON WHISLER MEMORIAL SCHOLARSHIP	4,417	48	499	3,966
KENNETH ELGIN SCHOLARSHIP	130,968	1,147	4,000	128,115
MILTON STOUT SCHOLARSHIP	2,024	41	301	1,764
FCCLA SCHOLARSHIP	511	7	-	518
ROY LIVENGOOD MEMORIAL SCHOLARSHIP	303	1	304	-
ROBERT HARL MEMORIAL SCHOLARSHIP	129	2	-	131
HARRY L DUKES MEMORIAL	607	9	600	16
CLASS OF 1958	1,229	10	-	1,239
GOWER-VOXMAN SCHOLARSHIP	2,528	48	-	2,576
DR. F.B. LEFFERT SCHOLARSHIP	27,509	208	800	26,917
VIDAS SCHOLARSHIP	1,074	7	(1)	1,082
COLLEEN COOK SCHOLARSHIP	72,852	585	800	72,637
GERALD FOSTER MEORIAL	21,503	181	1,000	20,684
DANA MIRITZ SCHOLARSHIP	21,501	1,681	500	22,682
CLYDE AND VIRGINIA CARNEY MEMORIAL	45,267	1,560	1,000	45,827
IA STUDENT LOAN SCHOLARSHIP	-	500	-	500
TOTALS	\$ 359,433	6,763	10,554	355,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 5,609,205	5,002,237	4,859,312	5,008,198
Tuition	364,732	401,054	341,991	375,371
Other	685,819	990,739	700,059	813,063
Intermediate sources	94,062	101,700	94,633	103,956
State sources	9,044,417	9,193,999	8,543,778	9,374,751
Federal sources	974,925	1,491,416	1,753,662	846,605
Total	\$ 16,773,160	17,181,145	16,293,435	16,521,944
Expenditures:				
Instruction:				
Regular	\$ 5,857,885	5,866,268	5,931,468	6,045,534
Special	1,709,296	1,975,683	1,974,553	2,125,759
Other	2,283,850	2,204,980	2,261,720	1,841,721
Support services:				
Student	490,406	463,773	469,265	464,385
Instructional staff	435,107	418,747	381,824	334,034
Administration	1,547,639	1,608,369	1,492,324	1,594,030
Operation and maintenance of plant	1,032,294	1,255,623	1,251,321	1,344,067
Transportation	494,981	683,717	693,726	645,995
Non-instructional programs			-	-
Capital outlay	425,185	507,250	522,960	146,342
Long-term debt:				
Principal	502,585	1,103,956	774,353	772,414
Interest and other charges	110,783	152,990	185,984	199,292
Other expenditures:				
AEA flow-through	535,013	601,275	598,651	529,695
Total	\$ 15,425,024	16,842,631	16,538,149	16,043,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 8

2008	2007	2006	2005	2004	2003
5,028,774	4,782,673	4,707,887	4,210,359	3,548,519	3,595,752
387,318	388,623	431,633	255,975	318,551	226,866
819,125	1,004,363	739,564	942,469	797,036	773,121
-	-	-	-	-	-
8,764,929	8,301,430	7,929,782	7,828,394	7,731,425	7,740,582
745,151	859,871	1,032,745	949,831	942,686	688,282
15,745,297	15,336,960	14,841,611	14,187,028	13,338,217	13,024,603
5,468,317	5,650,425	5,489,650	5,486,876	5,569,309	5,665,289
2,155,219	2,595,201	2,473,743	2,578,875	2,585,388	2,802,256
1,873,705	860,778	890,882	946,480	923,240	226,352
379,594	366,232	379,001	473,602	455,113	364,208
325,223	269,539	419,460	368,937	258,357	287,205
1,493,600	1,497,455	1,283,478	1,035,581	1,052,848	925,776
1,460,401	1,492,753	1,316,773	1,286,968	1,235,016	1,211,234
580,598	582,836	546,251	642,588	561,021	608,447
-	-	13,834	25,978	34,413	42,385
858,845	2,336,795	1,034,504	1,975,031	584,523	931,992
699,283	596,595	418,668	222,000	189,000	191,000
244,297	250,448	229,088	155,640	165,683	177,989
507,613	492,942	465,155	464,456	472,458	491,993
16,046,695	16,991,999	14,960,487	15,663,012	14,086,369	13,926,126

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	82,083
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	309,674 *
			<u>391,757</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	28,298
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	348,303
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1071-GC	195,666
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 12	8,139
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY AC	84.389	FY 12	20,538
			<u>600,944</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION CONSTRUCTION GRANTS)	84.215	FY 10	84,945
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 11	37,638
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 12	30,700
			<u>68,338</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	96,806
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 12	9,055
EDUCATION JOBS FUND	84.410	FY 12	4,427
GREAT PRAIRIE AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	23,146
SPECIAL EDUCATION - IDEA CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	74,237
SPECIAL EDUCATION - GRANTS TO STATES (ADMIN & PROJECTS)	84.027	FY 12	4,000
			<u>78,237</u>
TOTAL			<u>\$ 1,357,655</u>

* - Includes \$28,752 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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2013. 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

The management of Centerville Community School District is responsible for establishing and maintaining effective internal controls 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-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 and II-C-12 to be significant deficiencies.

Members American Institute & Iowa Society of Certified Public Accountants

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, 2012 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 29, 2013

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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, 2012. 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, 2012.

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-12 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2013

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program

 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
- (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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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-12 Gate Admissions - We noted during our audit that all ticket takers were not reconciling the gate admissions after the event and that pre-numbered tickets were not used at baseball games.

Recommendation - The District should review internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures.

Response - The district has accepts the auditors recommendation and will implement the necessary procedures.

Conclusion - Response accepted.

II-C-12 Milk Purchases - We noted during our audit that the District Nutrition Director does not forward the invoices for the milk purchases to the Central Office and therefore the invoices are not subjected to the accounting procedures in the Central Office. The Director did provide, upon our request, the invoices, although we did not match all invoices to each billing statement it did appear on a test basis that the invoices were provided to support the billing statements.

Recommendation - The District should have procedures that would require personnel to match the billing with the statement prior to payment of the bill. The District should review the policies and procedures in effect for the Nutrition Fund and communicate the expectations to employees.

Response - The district has accepted the auditors recommendation and will implement the necessary procedures.

Conclusion - Response accepted.

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: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-12 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, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, did not exceed the amount budgeted.
- IV-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.
- IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-12 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was overstated by 0.19 students.
- Recommendation - The Iowa Department of Education and Department of Management should be contacted to resolve this matter.
- Response - This District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- IV-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

However, funding for At-Risk programs appears to include operation and maintenance expenses which do not appear allowable to the categorical grant. The District did move the expenditures which were questioned.

Recommendation - The District should review the allowable costs per code and make necessary adjustments in coding to correct this for the future year.

Response - The District will review allowable expenditures for at-risk moneys and will ensure that only allowable expenses are coded there in the future.

Conclusion - Response accepted.

IV-L-12 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance		\$	155,710
Statewide sales, services and use tax revenue	\$	1,053,624	
Other local revenue		36,792	
Federal revenues		84,220	
			<u>1,174,636</u>
			1,330,346
Expenditures/transfers out:			
School infrastructure construction		126,022	
Transfers to other funds:			
Debt service fund		219,276	
Capital Projects: Physical plant and equipment levy fund		111,634	
			<u>456,932</u>
Ending balance		\$	<u>873,414</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.