

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Center Point-Urbana Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Scott Millikin	President	2015
Dan Jones	Vice President	2015
Mark Boies	Board Member	2013
Tammy Carolan	Board Member	2013
Matt Wade	Board Member	2015

School Officials

Alan Marshall	Superintendent	2013
Kristy Bruce	District Secretary/ Treasurer	2013
Lynch Dallas Law Firm	Attorney	2013

Center Point - Urbana Community School District

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District, Center Point, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Center Point-Urbana Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two 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 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2014 on our consideration of Center Point-Urbana Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Center Point-Urbana Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Center Point-Urbana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,981,594 in fiscal 2012 to \$13,316,346 in fiscal 2013, while General Fund expenditures increased from \$12,493,710 in fiscal 2012 to \$12,947,390 in fiscal 2013. This allowed the District's General Fund balance to increase from \$2,135,493 in fiscal 2012 to \$2,504,449 in fiscal 2013, a 17.28% increase over the prior year.
- The District made significant progress on reducing negative activity accounts during the 2012-2013 school year, reducing the number of negative accounts from six to one. Negative account balances decreased from (\$18,573) in fiscal 2012 to (\$859) in fiscal 2013.
- The District saw a small decrease in its Unspent Authorized Budget, but still maintains a healthy balance of \$2,372,383.

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 Position and a Statement of Activities. These provide information about the activities of Center Point-Urbana Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures 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.

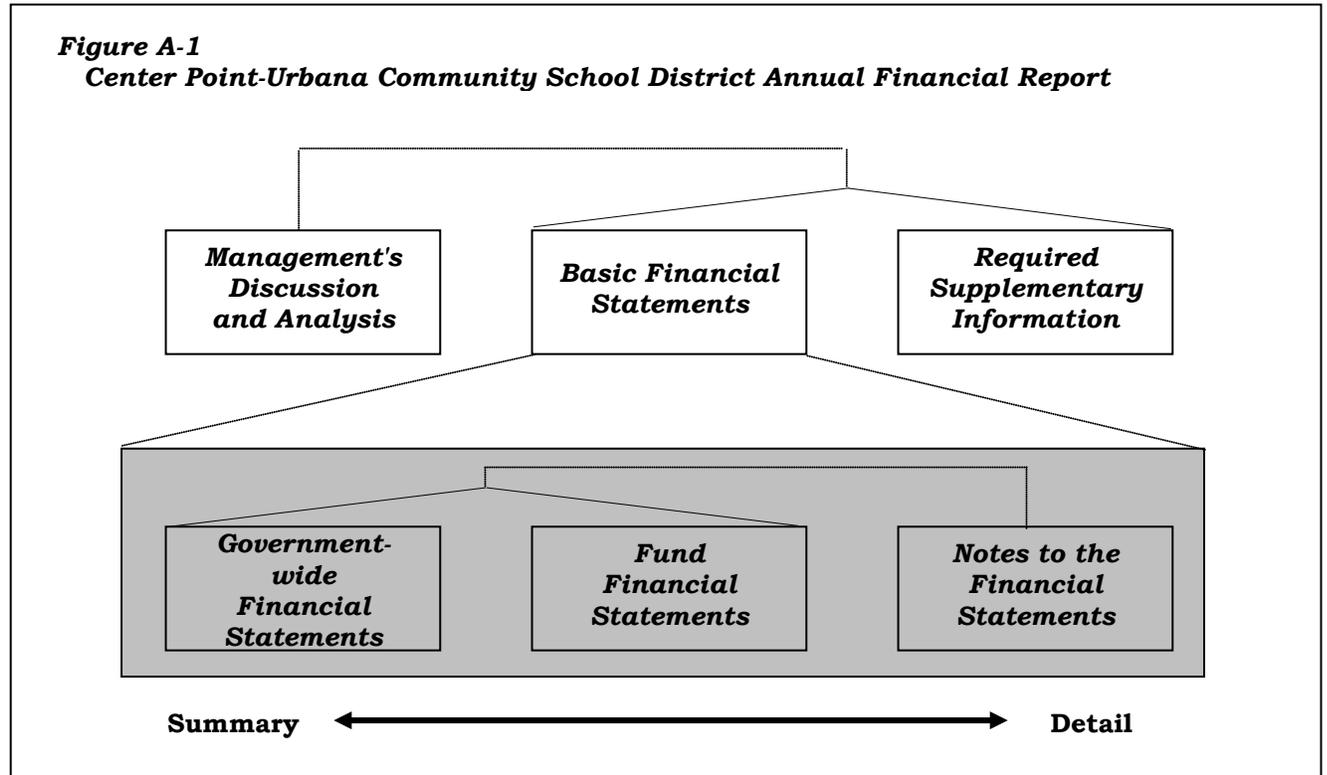


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
- Private Purpose Trust Funds - The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 14,377,375	14,596,934	13,998	27,128	14,391,373	14,624,062	-1.59%
Capital assets	23,304,301	23,533,274	196,865	219,281	23,501,166	23,752,555	-1.06%
Total assets	37,681,676	38,130,208	210,863	246,409	37,892,539	38,376,617	-1.26%
Long-term obligations	22,473,061	24,770,505	13,021	3,987	22,486,082	24,774,492	-9.24%
Other Liabilities	6,469,323	5,281,725	170,768	129,806	6,640,091	5,411,531	22.70%
Total liabilities	28,942,384	30,052,230	183,789	133,793	29,126,173	30,186,023	-3.51%
Net position:							
Invested in capital assets, net of related debt	3,835,107	3,433,139	196,865	219,281	4,031,972	3,652,420	10.39%
Restricted	2,597,424	5,680,806	-	-	2,597,424	5,680,806	-54.28%
Unrestricted	2,306,761	(1,035,967)	(169,791)	(106,665)	2,136,970	(1,142,632)	287.02%
Total net position	\$ 8,739,292	8,077,978	27,074	112,616	8,766,366	8,190,594	7.03%

The District's combined net position increased by 7.03%, or \$575,772, compared to the prior year. A portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$3,083,382 or 54.28% from the prior year. The decrease in restricted net position is attributable to the decrease in the Capital Projects and Enterprise fund balances.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$3,279,602, or 287.02%. The primary reason for the increase in unrestricted net position is the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 1,961,069	1,718,231	539,720	495,851	2,500,789	2,214,082	12.95%
Operating grants and contributions and restricted revenue	1,833,817	1,022,701	204,218	199,334	2,038,035	1,222,035	66.77%
Capital grants, contributions and restricted revenue	-	75,747	-	23,652	-	99,399	-100.00%
General revenues:							
Property tax	4,228,626	4,094,670	-	-	4,228,626	4,094,670	3.27%
Income surtax	465,365	421,809	-	-	465,365	421,809	10.33%
Statewide sales, services and use tax	1,095,432	1,186,514	-	-	1,095,432	1,186,514	-7.68%
Nonspecific program federal grants	-	3,695	-	-	-	3,695	-100.00%
Unrestricted state grants	6,440,287	7,232,197	-	-	6,440,287	7,232,197	-10.95%
Unrestricted interest revenue	60,782	56,626	57	65	60,839	56,691	7.32%
Other general revenue	57,886	239,376	-	21,828	57,886	261,204	-77.84%
Total revenues	16,143,264	16,051,566	743,995	740,730	16,887,259	16,792,296	0.57%
Program expenses:							
Governmental activities:							
Instructional	9,396,442	8,915,108	-	-	9,396,442	8,915,108	5.40%
Support services	4,126,057	4,255,166	20,987	-	4,147,044	4,255,166	-2.54%
Non-instructional programs	-	-	808,550	830,854	808,550	830,854	-2.68%
Other expenses	1,959,451	2,163,314	-	-	1,959,451	2,163,314	-9.42%
Total expenses	15,481,950	15,333,588	829,537	830,854	16,311,487	16,164,442	0.91%
Increase(Decrease) in net position	661,314	717,978	(85,542)	(90,124)	575,772	627,854	-8.30%
Net position beginning of year	8,077,978	7,360,000	112,616	202,740	8,190,594	7,562,740	8.30%
Net position end of year	\$ 8,739,292	8,077,978	27,074	112,616	8,766,366	8,190,594	7.03%

In fiscal 2013, property tax, statewide sales, services and use tax and unrestricted state grants account for 72.87% of the revenue from governmental activities while charges for service and sales, operating grants and contributions account for 99.99% of the revenue from business type activities.

The District's total revenues were \$16,887,259 of which \$16,143,264 was for governmental activities and \$743,995 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.57% increase in revenues and a 0.91% increase in expenses. Property tax increased \$133,956 or 3.27% to fund increases in expenditures. The increase in expenses is related to the increase in instructional expenditures.

Governmental Activities

Revenues for governmental activities were \$16,143,264 and expenses were \$15,481,950 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 9,396,442	8,915,108	5.40%	6,094,704	6,661,482	-8.51%
Support services	4,126,057	4,255,166	-3.03%	4,124,599	4,177,390	-1.26%
Other expenses	1,959,451	2,163,314	-9.42%	1,467,761	1,678,037	-12.53%
Totals	\$ 15,481,950	15,333,588	0.97%	11,687,064	12,516,909	-6.63%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,961,069.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,833,817.
- The net cost of governmental activities was financed with \$4,228,626 in property tax, \$465,365 in income surtax, \$1,095,432 in statewide sales, services and use tax, \$6,440,287 in unrestricted state grants, \$60,782 in interest income and \$57,886 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$743,995 and expenses were \$829,537. 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 Center Point-Urbana Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$7,600,848, above last year's ending fund balances of \$7,443,904. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in fund balance for the General Fund.

Governmental Fund Highlights

- The District's improved General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues was the primary reason for the increase in revenues. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$2,135,493 in fiscal 2012 to \$2,504,449 in fiscal 2013.
- The Capital Projects accounts balance decreased from \$1,266,140 in fiscal 2012 to \$994,601 in fiscal 2013. The decrease in the Capital Projects accounts balance was due to finishing construction of a new parking lot.
- The Debt Service fund balance increased from \$3,806,690 in fiscal 2012 to \$3,835,989 in fiscal 2013. The increase was due to the District's sinking fund balances for the two revenue bonds. The continued monthly transfers from the Capital Projects Fund to the Debt Service Fund to fulfill the debt sinking requirements for the \$7.38 million of revenue bonds and \$3.7 million of qualified school construction bonds contributed to the increase in debt service fund balance.

Proprietary Fund Highlights

- The Enterprise Fund net position decreased from \$112,616 at June 30, 2012 to \$27,074 at June 30, 2013, representing a decrease of \$85,542 or 75.96%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its budget one time to reflect additional expenditures associated with support services and reduced expenditures associated with non-instructional programs and other expenditures.

The District's revenues were \$317,748 more than budgeted revenues, a variance of 1.92%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

In spite of the District's budgetary practices, the amended budget was exceeded in the instructional and other expenditures functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$23,501,166, 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 decrease of 1.06% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$954,186.

The original cost of the District's capital assets was \$36,891,768. Governmental funds account for \$36,596,926 with the remainder of \$294,842 in the Proprietary funds. The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$531,245 at June 30, 2013, compared to \$243,058 at June 30, 2012. This significant increase resulted from completion of a parking lot west of the Urbana building.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 408,736	408,736	-	-	408,736	408,736	0.00%
Buildings	21,640,493	22,332,312	-	-	21,640,493	22,332,312	-3.10%
Land improvements	531,245	243,058	-	-	531,245	243,058	118.57%
Machinery and equipment	723,827	549,168	196,865	219,281	920,692	768,449	19.81%
Total	\$ 23,304,301	23,533,274	196,865	219,281	23,501,166	23,752,555	-1.06%

Long-Term Debt

At June 30, 2013, the District had \$22,486,082 in general obligation bonds, revenue bonds and other long term debt outstanding. This represents a decrease of 2.81% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had an outstanding balance of \$8,365,000 in general obligation bonds at June 30, 2013.

The District had an outstanding balance of \$6,790,000 in revenue bonds payable at June 30, 2013.

The District had an outstanding balance of \$3,700,000 in qualified school construction bonds payable at June 30, 2013.

The District had an outstanding balance of 1,635,000 in revenue BANs payable at June 30, 2013.

The District had an outstanding balance of \$1,315,000 in a capital loan note at June 30, 2013.

The Districts had an outstanding balance of \$227,929 in a bus loan payable at June 30, 2013.

At June 30, 2013, the District had a termination benefits outstanding balance of \$50,000 payable from the Special Revenue, Management Levy Fund.

At June 30, 2013, the District had an outstanding compensated absences balance of \$128,717 payable from the General Fund and \$6,400 from the Nutrition Fund.

At June 30, 2013, the District had an outstanding other postemployment benefits of \$268,036.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 8,365,000	8,780,000	-	-	8,365,000	8,780,000	-4.73%
Revenue bonds	6,790,000	7,135,000	-	-	6,790,000	7,135,000	-4.84%
Qualified school construction bonds	3,700,000	3,700,000	-	-	3,700,000	3,700,000	0.00%
Revenue BANs	1,635,000	1,635,000	-	-	1,635,000	1,635,000	0.00%
Capital loan note	1,315,000	1,430,000	-	-	1,315,000	1,430,000	-8.04%
Bus lease	-	80,135	-	-	-	80,135	-100.00%
Bus loan	227,929	-	-	-	227,929	-	100.00%
Termination benefits	50,000	52,500	-	-	50,000	52,500	-4.76%
Compensated absences	128,717	128,986	6,400	-	135,117	128,986	4.75%
Net OPEB liability	261,415	189,884	6,621	3,987	268,036	193,871	38.25%
Total	\$ 22,473,061	23,131,505	13,021	3,987	22,486,082	23,135,492	-2.81%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is continuing to experience a trend toward increasing enrollment. Plans for continued economic development in and around the communities served by the District will help increase the population base within the District's boundaries.
- Concerns about sequestration and federal government shutdowns may impact the District in the coming years.
- There are several initiatives underway in state government to reform education in the state of Iowa. As these initiatives develop, the District will need to adjust to the changing environment.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
U.S. Treasury Securities on deposit with escrow agent	\$ 2,563,735	-	2,563,735
Other	6,366,207	1,488	6,367,695
Receivables:			
Property tax:			
Delinquent	48,941	-	48,941
Succeeding year	4,216,455	-	4,216,455
Income surtax	422,116	-	422,116
Accounts	5,664	1,830	7,494
Due from other funds	99,320	-	99,320
Due from other governments	654,937	-	654,937
Inventories	-	10,680	10,680
Capital assets, net of accumulated depreciation	23,304,301	196,865	23,501,166
TOTAL ASSETS	37,681,676	210,863	37,892,539
LIABILITIES			
Due to other funds	-	99,320	99,320
Accounts payable	221,919	736	222,655
Retainage payable	286,208	-	286,208
Salaries and benefits payable	1,484,134	57,025	1,541,159
Accrued interest payable	260,607	-	260,607
Deferred revenue:			
Succeeding year property tax	4,216,455	-	4,216,455
Unearned revenue	-	13,687	13,687
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	425,000	-	425,000
Revenue bonds payable	185,000	-	185,000
Revenue BANs payable	1,635,000	-	1,635,000
Capital loan note payable	115,000	-	115,000
Bus loan payable	63,116	-	63,116
Termination benefits payable	29,167	-	29,167
Compensated absences payable	128,717	6,400	135,117
Portion due after one year:			
General obligation bonds payable	7,940,000	-	7,940,000
Revenue bonds payable	6,605,000	-	6,605,000
Qualified school construction bonds payable	3,700,000	-	3,700,000
Capital loan note payable	1,200,000	-	1,200,000
Bus loan payable	164,813	-	164,813
Termination benefits payable	20,833	-	20,833
Net OPEB liability	261,415	6,621	268,036
TOTAL LIABILITIES	28,942,384	183,789	29,126,173
NET POSITION			
Invested in capital assets, net of related debt	3,835,107	196,865	4,031,972
Restricted for:			
Categorical funding	374,508	-	374,508
Debt service	1,744,078	-	1,744,078
Management levy purposes	34,157	-	34,157
Student activities	182,511	-	182,511
School infrastructure	255,586	-	255,586
Physical plant and equipment levy	6,584	-	6,584
Unrestricted	2,306,761	(169,791)	2,136,970
TOTAL NET POSITION	\$ 8,739,292	27,074	8,766,366

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 6,066,389	829,409	126,504	(5,110,476)	-	(5,110,476)
Special	1,506,812	371,621	157,620	(977,571)	-	(977,571)
Other	1,823,241	760,039	1,056,545	(6,657)	-	(6,657)
	9,396,442	1,961,069	1,340,669	(6,094,704)	-	(6,094,704)
Support services:						
Student	336,032	-	-	(336,032)	-	(336,032)
Instructional staff	382,557	-	-	(382,557)	-	(382,557)
Administration	1,502,834	-	-	(1,502,834)	-	(1,502,834)
Operation and maintenance of plant	1,290,916	-	-	(1,290,916)	-	(1,290,916)
Transportation	613,718	-	1,458	(612,260)	-	(612,260)
	4,126,057	-	1,458	(4,124,599)	-	(4,124,599)
Long-term debt interest	736,774	-	-	(736,774)	-	(736,774)
Other expenses:						
AEA flowthrough	491,690	-	491,690	-	-	-
Depreciation(unallocated)*	730,987	-	-	(730,987)	-	(730,987)
	1,222,677	-	491,690	(730,987)	-	(730,987)
Total governmental activities	15,481,950	1,961,069	1,833,817	(11,687,064)	-	(11,687,064)
Business type activities:						
Support services:						
Administration	15,507	-	-	-	(15,507)	(15,507)
Operation and maintenance of plant	5,480	-	-	-	(5,480)	(5,480)
Non-instructional programs:						
Nutrition services	808,550	539,720	204,218	-	(64,612)	(64,612)
Total business type activities	829,537	539,720	204,218	-	(85,599)	(85,599)
Total	\$ 16,311,487	2,500,789	2,038,035	(11,687,064)	(85,599)	(11,772,663)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,375,488	-	3,375,488
Debt service				609,144	-	609,144
Capital outlay				243,994	-	243,994
Income surtax				465,365	-	465,365
Statewide sales, services and use tax				1,095,432	-	1,095,432
Unrestricted state grants				6,440,287	-	6,440,287
Unrestricted investment earnings				60,782	57	60,839
Other general revenue				57,886	-	57,886
Total general revenues				12,348,378	57	12,348,435
Change in net position				661,314	(85,542)	575,772
Net position beginning of year				8,077,978	112,616	8,190,594
Net position end of year				\$ 8,739,292	27,074	8,766,366

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments:					
U.S. Treasury Securities on deposit with escrow agent	\$ -	-	2,563,735	-	2,563,735
Other	3,720,775	956,548	1,265,433	270,127	6,212,883
Receivables:					
Property tax:					
Delinquent	36,376	2,732	6,821	3,012	48,941
Succeeding year	3,085,300	254,151	677,004	200,000	4,216,455
Income surtax	422,116	-	-	-	422,116
Accounts	3,566	1,588	-	510	5,664
Due from other funds	99,320	-	-	2,701	102,021
Due from other governments	330,921	324,016	-	-	654,937
TOTAL ASSETS	\$ 7,698,374	1,539,035	4,512,993	476,350	14,226,752
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	2,701	-	-	2,701
Accounts payable	202,837	1,374	-	10,079	214,290
Retainage payable	-	286,208	-	-	286,208
Salaries and benefits payable	1,483,672	-	-	462	1,484,134
Deferred revenue:					
Succeeding year property tax	3,085,300	254,151	677,004	200,000	4,216,455
Income surtax	422,116	-	-	-	422,116
Total liabilities	5,193,925	544,434	677,004	210,541	6,625,904
Fund balances:					
Restricted for:					
Categorical funding	374,508	-	-	-	374,508
Debt service	-	732,431	3,835,989	-	4,568,420
Management levy purposes	-	-	-	84,157	84,157
Student activities	-	-	-	182,511	182,511
School infrastructure	-	255,586	-	-	255,586
Physical plant and equipment levy	-	6,584	-	-	6,584
Assigned	26,935	-	-	-	26,935
Unassigned:					
General	2,103,006	-	-	-	2,103,006
Student activities	-	-	-	(859)	(859)
Total fund balances	2,504,449	994,601	3,835,989	265,809	7,600,848
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,698,374	1,539,035	4,512,993	476,350	14,226,752

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds (page 20)	\$ 7,600,848
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	23,304,301
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	422,116
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	145,695
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.	(260,607)
Long-term liabilities, including bonds payable, compensated absences payable, termination benefits payable, other postemployment benefits payable, capital loan note payable and bus loan payable are not due in the current period and, therefore, are not reported in the governmental funds.	(22,473,061)
Net position of governmental activities (page 18)	<u>\$ 8,739,292</u>

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,561,909	1,339,426	609,144	258,164	5,768,643
Tuition	1,191,695	-	-	-	1,191,695
Other	298,358	29,292	32,379	563,932	923,961
State sources	8,020,063	-	-	-	8,020,063
Federal sources	218,122	-	-	-	218,122
Total revenues	13,290,147	1,368,718	641,523	822,096	16,122,484
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,078,316	-	-	22,500	6,100,816
Special	1,505,463	-	-	-	1,505,463
Other	1,320,689	-	-	526,027	1,846,716
	8,904,468	-	-	548,527	9,452,995
Support services:					
Student	331,180	-	-	1,950	333,130
Instructional staff	382,020	-	-	-	382,020
Administration	1,360,993	-	-	130,249	1,491,242
Operation and maintenance of plant	999,852	-	-	74,854	1,074,706
Transportation	477,187	259,106	-	13,647	749,940
	3,551,232	259,106	-	220,700	4,031,038
Capital outlay	-	521,758	-	66,998	588,756
Other expenditures:					
Long-term debt:					
Principal	-	-	986,312	-	986,312
Interest and fiscal charges	-	-	744,411	-	744,411
AEA flowthrough	491,690	-	-	-	491,690
	491,690	-	1,730,723	-	2,811,169
Total expenditures	12,947,390	780,864	1,730,723	836,225	16,295,202
Excess(Deficiency) of revenues over(under) expenditures	342,757	587,854	(1,089,200)	(14,129)	(172,718)
Other financing sources(uses):					
Transfer in	-	-	1,118,499	-	1,118,499
Transfer out	-	(1,118,499)	-	-	(1,118,499)
Proceeds from bus lease	-	259,106	-	-	259,106
Insurance proceeds	26,199	-	-	44,357	70,556
Total other financing sources(uses)	26,199	(859,393)	1,118,499	44,357	329,662
Change in fund balances	368,956	(271,539)	29,299	30,228	156,944
Fund balances beginning of year	2,135,493	1,266,140	3,806,690	235,581	7,443,904
Fund balances end of year	\$ 2,504,449	994,601	3,835,989	265,809	7,600,848

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds (page 22) \$ 156,944

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense are as follows:

Capital outlays	\$ 702,797	
Depreciation expense	(931,770)	(228,973)

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

Issued	\$ (259,106)	
Repaid	986,312	727,206

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.

7,637

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

20,780

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

46,482

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

Compensated absences	\$ 269	
Termination benefits	2,500	
Other postemployment benefits	(71,531)	(68,762)

Change in net position of governmental activities (page 19) \$ 661,314

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	Business Type	
	Enterprise Fund	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 1,488	153,324
Accounts receivable	1,830	-
Inventories	10,680	-
Capital assets, net of accumulated depreciation	196,865	-
TOTAL ASSETS	210,863	153,324
TOTAL LIABILITIES		
Due to other funds	99,320	-
Accounts payable	736	7,629
Salaries and benefits payable	57,025	-
Unearned revenue	13,687	-
Net OPEB liability	6,621	-
Compensated absences	6,400	-
TOTAL LIABILITIES	183,789	7,629
NET POSITION		
Invested in capital assets	196,865	-
Unrestricted	(169,791)	145,695
TOTAL NET POSITION	\$ 27,074	145,695

SEE NOTES TO FINANCIAL STATEMENT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 539,720	-
Miscellaneous	-	1,436,665
TOTAL OPERATING REVENUES	<u>539,720</u>	<u>1,436,665</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Salaries	12,215	-
Benefits	2,042	1,368,194
Services	1,250	21,989
Operation and maintenance of plant:		
Services	5,480	-
Total support services	<u>20,987</u>	<u>1,390,183</u>
Non-instructional programs:		
Food service operations:		
Salaries	308,166	-
Benefits	81,550	-
Services	157	-
Supplies	394,322	-
Other	295	-
Depreciation	22,416	-
Total non-instructional programs	<u>806,906</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>827,893</u>	<u>1,390,183</u>
OPERATING INCOME (LOSS)	<u>(288,173)</u>	<u>46,482</u>
NON-OPERATING REVENUES (EXPENSES) :		
Interest expense on General Fund borrowings	(1,644)	-
State sources	5,763	-
Federal sources	198,455	-
Interest income	57	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>202,631</u>	<u>-</u>
Change in net position	(85,542)	46,482
Net position beginning of year	<u>112,616</u>	<u>99,213</u>
Net position end of year	<u>\$ 27,074</u>	<u>145,695</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 519,068	-
Cash received from another District per food service director sharing agreement	19,946	-
Cash received from miscellaneous	-	1,436,665
Cash payments to employees for services	(392,991)	-
Cash payments to suppliers for goods or services	(343,559)	(1,390,478)
Net cash provided by(used in) operating activities	<u>(197,536)</u>	<u>46,187</u>
Cash flows from non-capital financing activities:		
State grants received	5,763	-
Federal grants received	156,048	-
Borrowings from General Fund	54,751	-
Interest expense on General Fund borrowings	(1,644)	-
Net cash provided by non-capital financing activities	<u>214,918</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	57	-
Net increase in cash and cash equivalents	17,439	46,187
Cash and cash equivalents at beginning of year	<u>(15,951)</u>	<u>107,137</u>
Cash and cash equivalents at end of year	<u>\$ 1,488</u>	<u>153,324</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (288,173)	46,482
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	52,163	-
Depreciation	22,416	-
Decrease in inventories	5,476	-
Increase in accounts receivable	(614)	-
Increase(Decrease) in accounts payable	306	(295)
Increase in salaries and benefits payable	1,948	-
Increase in net other postemployment benefits	2,634	-
Increase in compensated absenses	6,400	-
Decrease in deferred revenue	(92)	-
Net cash provided by(used in) operating activities	<u>\$ (197,536)</u>	<u>46,187</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$52,163.

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Private Purpose Trust
ASSETS	
Cash and pooled investments	\$ 25,514
Interest receivable	71
TOTAL ASSETS	\$ 25,585
 LIABILITIES	
	-
 NET POSITION	
Restricted for scholarships	\$ 25,585

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 202
Gifts and contributions	4,793
Total additions	<u>4,995</u>
Deductions:	
Instruction:	
Other	<u>1,050</u>
Change in net position	3,945
Net position beginning of year	<u>21,640</u>
Net position end of year	<u><u>\$ 25,585</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund while the compensated absences liability in the business type activities will be paid by the Nutrition Fund.

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

Fund Balances - 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.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned fund balance in the General Fund is for miscellaneous accounts and smaller projects that are not able to be accounted for in other governmental funds.

Unassigned - All amounts not included in other spendable classifications. Negative unassigned balances may be reported in other governmental funds when expenditures

incurred for specific purposes exceed the amounts restricted, committed or assigned. At June 30, 2013, the District's had an unassigned balance of \$859 in the Student Activity Fund and \$2,103,006 in the General Fund.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the instructional and other expenditures functional areas.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,598,057 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.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates. At June 30, 2013, the District had investments in U.S. Treasury Securities of \$2,563,735.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
	Capital Projects:	
	Physical Plant and	
Student Activity	Equipment Levy	\$ 2,701
General	School Nutrition	99,320
Total		<u>\$ 102,021</u>

The Capital Projects: Physical Plant and Equipment Levy Fund is repaying the Student Activity Fund for an expense that was coded to the wrong fund and not corrected before year end.

The School Nutrition Fund is repaying the General Fund for salaries and benefits.

(4) Transfers

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	\$ 152,003
	Capital Projects:	
	Statewide Sales, Services	
Debt Service	and Use Tax	966,496
	Total	\$ 1,118,499

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed to make principal and interest payments on the District's capital loan note indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for interest payments on revenue BANs, principal/interest payments on revenue bonds and bus loan as well as the annual payment to the fiscal agent to repay the qualified school construction bonds.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 408,736	-	-	408,736
Total capital assets not being depreciated	408,736	-	-	408,736
Capital assets being depreciated:				
Buildings	33,015,551	-	-	33,015,551
Land improvements	861,470	327,355	-	1,188,825
Machinery and equipment	1,655,333	375,442	46,961	1,983,814
Total capital assets being depreciated	35,532,354	702,797	46,961	36,188,190
Less accumulated depreciation for:				
Buildings	10,683,239	691,819	-	11,375,058
Land improvements	618,412	39,168	-	657,580
Machinery and equipment	1,106,165	200,783	46,961	1,259,987
Total accumulated depreciation	12,407,816	931,770	46,961	13,292,625
Total capital assets being depreciated, net	23,124,538	(228,973)	-	22,895,565
Governmental activities capital assets, net	\$ 23,533,274	(228,973)	-	23,304,301

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 294,842	-	-	294,842
Less accumulated depreciation	75,561	22,416	-	97,977
Business type activities capital assets, net	\$ 219,281	(22,416)	-	196,865

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,979
Other		14,033
Support services:		
Administration		14,754
Operation and maintenance		7,800
Transportation		149,217
		<u>200,783</u>
Unallocated depreciation		<u>730,987</u>
Total governmental activities depreciation expense		\$ <u>931,770</u>
Business type activities:		
Food services		\$ <u>22,416</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,780,000	-	415,000	8,365,000	425,000
Revenue bonds	7,135,000	-	345,000	6,790,000	185,000
Qualified school construction bonds	3,700,000	-	-	3,700,000	-
Revenue BANs	1,635,000	-	-	1,635,000	1,635,000
Capital loan note	1,430,000	-	115,000	1,315,000	115,000
Bus lease	80,135	-	80,135	-	-
Bus loan	-	259,106	31,177	227,929	63,116
Termination benefits	52,500	20,000	22,500	50,000	29,167
Compensated absences	128,986	128,717	128,986	128,717	128,717
Net OPEB liability	189,884	71,531	-	261,415	-
Total	\$ 23,131,505	479,354	1,137,798	22,473,061	2,581,000
Business type activities:					
Compensated absences	\$ -	6,400	-	6,400	6,400
Net OPEB liability	3,987	2,634	-	6,621	-
Total	\$ 3,987	9,034	-	13,021	6,400

General Obligation Bonds Payable

On March 1, 2012, the District issued \$2,660,000 of general obligation refunding bonds, with interest rates ranging from 1.10% to 2.65%, for a crossover refunding of a portion of the general obligation bonds issued June 1, 2006. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Treasury Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$2,510,000 principal of the refunded general obligation bonds when they become callable on May 1, 2015 and the interest from November 1, 2012 to and including May 1, 2015 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated June 1, 2006			Bond Issue Dated April 1, 2011			Crossover Bond Issue Dated March 1, 2012			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	4.30 %	\$ 25,000	108,312	2.00 %	\$ 400,000	75,550	1.10 %	\$ -	60,100	\$ 425,000	183,862	608,862
2015	4.15	25,000	107,238	2.00	405,000	67,550	1.10	70,000	60,100	430,000	174,788	604,788
2016	4.20	25,000	106,200	2.00	415,000	59,400	1.10	70,000	59,330	440,000	165,600	605,600
2017	4.30	25,000	105,150	2.00	420,000	51,050	1.10	70,000	58,560	445,000	156,200	601,200
2018	4.15	100,000	104,075	2.00-2.38	300,000	42,181	1.10	145,000	57,790	400,000	146,256	546,256
2019-2023	4.15-4.25	860,000	457,525	2.50-3.25	1,230,000	87,750	2.25	1,065,000	240,688	3,155,000	785,963	3,940,963
2024-2026	4.30	1,475,000	127,925	-	-	-	2.25-2.65	1,240,000	54,959	2,715,000	182,884	2,897,884
		<u>\$ 2,535,000</u>	<u>1,116,425</u>		<u>\$ 3,170,000</u>	<u>383,481</u>		<u>\$ 2,660,000</u>	<u>591,527</u>	<u>\$ 8,365,000</u>	<u>2,091,433</u>	<u>9,805,553</u>

Revenue Bonds Payable

Details of the District's June 30, 2013 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue Dated March 1, 2010			
	Interest Rates	Principal	Interest	Total
2014	2.00 %	\$ 185,000	278,238	463,238
2015	2.25	190,000	274,250	464,250
2016	2.60	195,000	269,577	464,577
2017	3.00	200,000	264,042	464,042
2018	3.25	205,000	257,711	462,711
2019-2023	3.50-4.00	1,135,000	1,171,364	2,306,364
2024-2028	4.10-4.55	2,785,000	803,893	3,588,893
2029-2030	4.70-4.75	1,895,000	109,662	2,004,662
		<u>\$ 6,790,000</u>	<u>3,428,737</u>	<u>10,218,737</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,380,000 of bonds dated March 1, 2010. The bonds were issued for the purpose of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 48 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$10,218,737. For the current year, principal of \$345,000 and interest of \$282,675 was paid on the bonds and total statewide sales, services and use tax revenues were \$1,095,432.

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

- a) \$732,431 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Qualified School Construction Bonds Payable (QSCB's)

During the year ended June 30, 2010, the District issued QSCB's for the purpose of school infrastructure. Annual transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024. Details of the District's June 30, 2013 QSCB bonded indebtedness are as follows:

Year Ending June 30,	QSCB Issue Dated November 17, 2009				
	Interest Rates	Principal	Interest	Total	
2014	2.74	% \$ -	101,380	101,380	
2015	2.74	-	101,380	101,380	
2016	2.74	-	101,380	101,380	
2017	2.74	-	101,380	101,380	
2018	2.74	-	101,380	101,380	
2019-2023	2.74	-	506,900	506,900	
2024	2.74	3,700,000	50,690	3,750,690	
		<u>\$ 3,700,000</u>	<u>1,064,490</u>	<u>4,764,490</u>	

Revenue BANs Payable

On July 7, 2011 the District entered into an agreement with Security State Bank for the issuance of revenue BANs. Principal and interest payments will be made from the Capital Projects: Statewide Sales Services and Use Tax Fund. Details of the District's June 30, 2013 revenue BANs indebtedness are as follows:

Year	BANs Issue Dated July 7, 2011			
Ending	Interest			
June 30,	Rate	Principal	Interest	Total
2014	3.0 %	\$ 1,635,000	49,050	1,684,050

Capital Loan Notes Payable

During the year ended June 30, 2011 the District issued capital loan notes for construction. Principal and interest payments will be made by the Capital Projects: Physical, Plant and Equipment Levy Fund. Details of the District's June 30, 2013 capital loan note indebtedness are as follows:

Year	Capital Loan Notes Issue Dated April 1, 2011			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2014	1.40 %	\$ 115,000	35,122	150,122
2015	1.80	115,000	33,512	148,512
2016	2.10	120,000	31,443	151,443
2017	2.40	130,000	28,922	158,922
2018	2.70	125,000	25,803	150,803
2019-2023	2.85-3.40	710,000	70,687	780,687
		\$ 1,315,000	225,489	1,540,489

Bus Loan

On October 12, 2012 the District entered into a loan agreement with Center Point Bank & Trust Company for the purchase of a school bus. Principal and interest payments will be made from the Capital Projects: Statewide Sales Services and Use Tax Fund. Details of the District's June 30, 2013 bus loan indebtedness are as follows:

Year	Bus Loan Dated October 12, 2012			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2014	2.50 %	\$ 63,116	5,303	68,419
2015	2.50	64,703	3,716	68,419
2016	2.50	66,319	2,100	68,419
2017	2.50	33,791	419	34,210
		\$ 227,929	11,538	239,467

Termination Benefits (Early Retirement)

The District offers a voluntary early retirement plan to its certified and support staff employees on a year to year basis. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee was \$15,000 in the 2007-2008 year and is \$10,000 in the 2008-09 year and a prorated benefit deposited into a Health Retirement Account or a Tax Shelter Annuity with a minimum of nine years of service required. The early retirement incentive was not offered in the 2009-10 year. The early retirement incentive for each eligible employee was \$15,000 in the 2011-2012 and 2012-2013 year. The prorated benefits is calculated by numbers of years of service times \$750. The insurance coverage will cease when the employee reaches age sixty-five, secures other employment in which the employer insurance coverage, or becomes deceased. Early retirement benefits paid during the year ended June 30, 2013, totaled \$22,500. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$713,989, \$629,464, and \$522,585 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 132 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 91,569
Interest on net OPEB obligation	4,847
Adjustment to annual required contribution	(12,580)
Annual OPEB cost	<u>83,836</u>
Contributions made	<u>(9,671)</u>
Increase in net OPEB obligation	74,165
Net OPEB obligation beginning of year	<u>193,871</u>
Net OPEB obligation end of year	<u><u>\$ 268,036</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$9,671 to the medical plan.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 69,539	10.93%	\$ 123,343
2012	78,105	9.70%	193,871
2013	83,836	11.54%	268,036

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$574,572, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$574,572. The covered payroll (annual payroll of active employees covered by the plan) was \$6,860,909 and the ratio of the UAAL to covered payroll was 8.37%. As of June 30, 2013, there were no trust fund assets.

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

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

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$411 per employee. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The association provides dental coverage and protection for the District's employees.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$14,196.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Center Point-Urbana Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes

liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$491,690 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Unrestricted Net Position/Unassigned Fund Balance

The District had a deficit unassigned balance of \$895 in the Student Activity Fund at June 30, 2013. The District also had a deficit unrestricted net position balance of \$169,791 in School Nutrition Fund.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 170,962
Statewide voluntary preschool	189,478
Teacher salary supplement	14,068
Total	<u>\$ 374,508</u>

(13) Budget Overexpenditure

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the instructional and other expenditures functional areas exceeded the budgeted amounts.

REQUIRED SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Funds		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 7,884,299	539,777	8,424,076	8,203,211	8,203,211	220,865
State sources	8,020,063	5,763	8,025,826	8,087,520	8,087,520	(61,694)
Federal sources	218,122	198,455	416,577	258,000	258,000	158,577
Total revenues	16,122,484	743,995	16,866,479	16,548,731	16,548,731	317,748
Expenditures/expenses:						
Instruction	9,452,995	-	9,452,995	9,360,771	9,233,675	(219,320)
Support services	4,031,038	20,987	4,052,025	3,542,786	5,000,000	947,975
Non-instructional programs	-	808,550	808,550	900,018	815,000	6,450
Other expenditures	2,811,169	-	2,811,169	15,360,698	2,625,296	(185,873)
Total expenditures/expenses	16,295,202	829,537	17,124,739	29,164,273	17,673,971	549,232
Excess(Deficiency) of revenues (over)under expenditures/expenses	(172,718)	(85,542)	(258,260)	(12,615,542)	(1,125,240)	866,980
Other financing sources, net	329,662	-	329,662	11,578,442	11,578,442	(11,248,780)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	156,944	(85,542)	71,402	(1,037,100)	10,453,202	(10,381,800)
Balances beginning of year	7,443,904	112,616	7,556,520	4,768,213	4,768,213	2,788,307
Balances end of year	\$ 7,600,848	27,074	7,627,922	3,731,113	15,221,415	(7,593,493)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

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

During the year, the District adopted one budget amendment decreasing budgeted expenditures by \$11,490,302.

During the year ended June 30, 2013, expenditures in the instructional and other expenditures functional areas exceeded the amounts budgeted.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,250,442	9.14%
2011	July 1, 2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,580,404	8.68%
2012	July 1, 2009	\$ -	\$ 571,095	\$ 571,095	0.0%	\$ 6,585,599	8.67%
2013	July 1, 2012	\$ -	\$ 574,572	\$ 574,572	0.0%	\$ 6,860,909	8.37%

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

SUPPLEMENTARY INFORMATION

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	Special Revenue		
	Student	Management	Total
	Activity	Levy	
ASSETS			
Cash and pooled investments	\$ 188,982	81,145	270,127
Receivables:			
Property tax:			
Delinquent	-	3,012	3,012
Succeeding year	-	200,000	200,000
Accounts	510	-	510
Due from other funds	2,701	-	2,701
TOTAL ASSETS	\$ 192,193	284,157	476,350
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	10,079	-	10,079
Salaries and benefits payable	462	-	462
Deferred revenue:			
Succeeding year property tax	-	200,000	200,000
Total liabilities	10,541	200,000	210,541
Fund balances:			
Restricted for:			
Student activities	182,511	-	182,511
Management levy purposes	-	84,157	84,157
Unassigned	(859)	-	(859)
Total fund balances	181,652	84,157	265,809
TOTAL LIABILITIES AND FUND BALANCES	\$ 192,193	284,157	476,350

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Student Activity	Management Levy	Disaster Recovery	Total
REVENUES:				
Local sources:				
Local tax	\$ -	258,164	-	258,164
Other	556,312	7,620	-	563,932
TOTAL REVENUES	556,312	265,784	-	822,096
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	22,500	-	22,500
Other	526,027	-	-	526,027
Support services:				
Student	1,950	-	-	1,950
Administration	-	130,249	-	130,249
Operation and maintenance of plant	-	72,052	2,802	74,854
Student transportation	-	13,647	-	13,647
Capital outlay	-	-	66,998	66,998
TOTAL EXPENDITURES	527,977	238,448	69,800	836,225
Excess(Deficiency) of revenues over(under) expenditures	28,335	27,336	(69,800)	(14,129)
Other financing sources:				
Insurance proceeds	-	-	44,357	44,357
Change in fund balances	28,335	27,336	(25,443)	30,228
Fund balances beginning of year	153,317	56,821	25,443	235,581
Fund balances end of year	\$ 181,652	84,157	-	265,809

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 949,995	6,553	956,548
Receivables:			
Property tax:			
Delinquent	-	2,732	2,732
Succeeding year	-	254,151	254,151
Accounts	1,588	-	1,588
Due from other governments	324,016	-	324,016
TOTAL ASSETS	\$ 1,275,599	263,436	1,539,035
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	2,701	2,701
Accounts payable	1,504		
Retainage payable	286,078	-	286,078
Deferred revenue:			
Succeeding year property tax	-	254,151	254,151
Total liabilities	287,582	256,852	544,434
Fund balances:			
Restricted for:			
Debt service	732,431	-	732,431
School infrastructure	255,586	-	255,586
Physical plant and equipment	-	6,584	6,584
Total fund balances	988,017	6,584	994,601
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,275,599	263,436	1,539,035

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,095,432	243,994	1,339,426
Other	16,237	13,055	29,292
TOTAL REVENUES	<u>1,111,669</u>	<u>257,049</u>	<u>1,368,718</u>
EXPENDITURES:			
Current:			
Support services:			
Transportation	259,106	-	259,106
Capital outlay	423,090	98,668	521,758
TOTAL EXPENDITURES	<u>682,196</u>	<u>98,668</u>	<u>780,864</u>
Excess of revenues over expenditures	429,473	158,381	587,854
Other financing sources(uses):			
Transfer out	(966,496)	(152,003)	(1,118,499)
Proceeds from bus loan	259,106	-	259,106
Total other financing sources(uses)	<u>(707,390)</u>	<u>(152,003)</u>	<u>(859,393)</u>
Change in fund balances	(277,917)	6,378	(271,539)
Fund balances beginning of year	<u>1,265,934</u>	<u>206</u>	<u>1,266,140</u>
Fund balances end of year	<u>\$ 988,017</u>	<u>6,584</u>	<u>994,601</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>District Wide</u>				
General athletics	\$ 1,310	10,432	11,036	706
Annual	4,451	3,552	7,791	212
Canstruction	1,529	-	90	1,439
	<u>7,290</u>	<u>13,984</u>	<u>18,917</u>	<u>2,357</u>
<u>Jr/Sr High Activity</u>				
Wellness	5,375	-	1,950	3,425
Robotics club	-	66	-	66
Students in need	-	1,200	897	303
Pep club	3	7,263	6,570	696
MS choir	1,720	3,204	3,489	1,435
MS band	876	2,787	1,357	2,306
Drama	1,275	971	253	1,993
Musical	(1,831)	3,445	1,253	361
Childrens theatre	3,264	365	263	3,366
Speech	(2,413)	6,062	3,649	-
Show choir	1,116	32,709	30,146	3,679
Cross country	391	5,907	4,573	1,725
Golf	527	4,370	3,095	1,802
Boys basketball	4,026	19,111	17,580	5,557
Football	4,763	20,757	14,591	10,929
Boys soccer	1,604	4,639	4,506	1,737
Boys baseball	(8,206)	29,499	17,090	4,203
Boys track	4	7,733	7,672	65
Boys wrestling	(427)	10,674	11,106	(859)
Girls basketball	3,176	9,993	9,646	3,523
Volleyball	3,822	14,814	11,822	6,814
Girls soccer	1,420	8,943	8,388	1,975
Softball	(5,364)	26,135	14,132	6,639
Girls track	4	6,604	6,542	66
Storm troopers	5	218	-	223
Computer Club	888	156	320	724
FCCLA	1,970	-	540	1,430
Pop Fund	4,299	8,901	8,759	4,441
Senior science trip	1,376	13,975	13,648	1,703
Art club	26	-	-	26
Home economics	441	1,498	704	1,235
Model UN	(332)	710	378	-
National honor society	287	327	408	206
Student council	797	10,019	9,747	1,069
Spanish club	1,231	10,202	5,072	6,361
Biology club	334	344	328	350
Cheerleaders	1,768	9,398	8,535	2,631
Drill team	2,698	22,318	16,063	8,953
Class of 2012	2,588	-	2,588	-
Class of 2013	6,012	7,697	10,999	2,710
Class of 2014	-	21,639	13,648	7,991
Senior class trip	192	-	192	-
HS band/jazz band	2,401	23,090	24,752	739
CPU music parents	65,964	86,360	98,978	53,346
Booster club	37,957	98,225	112,831	23,351
	<u>146,027</u>	<u>542,328</u>	<u>509,060</u>	<u>179,295</u>
Total	\$ 153,317	556,312	527,977	181,652

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST
 JUNE 30, 2013

	Private Purpose Trust							Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	Other Scholarships	
ASSETS								
Cash and pooled investments	\$ 329	300	7,083	6,879	6,165	301	4,457	25,514
Interest receivable	-	-	30	41	-	-	-	71
TOTAL ASSETS	\$ 329	300	7,113	6,920	6,165	301	4,457	25,585
LIABILITIES	-	-	-	-	-	-	-	-
NET POSITION								
Restricted for scholarships	\$ 329	300	7,113	6,920	6,165	301	4,457	25,585

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust							Total
	Denison Scholarship	Wyckoff Scholarship	Bowers Scholarship	Mrs. C Scholarship	W. Andrews Memorial	Stallman Memorial	Other Scholarships	
Additions:								
Local sources:								
Interest	\$ -	-	103	85	-	-	14	202
Gifts and contributions	-	-	-	-	-	-	4,793	4,793
Total additions	-	-	103	85	-	-	4,807	4,995
Deductions:								
Instruction:								
Other	100	100	500	-	-	-	350	1,050
Change in net position	(100)	(100)	(397)	85	-	-	4,457	3,945
Net position beginning of year	429	400	7,510	6,835	6,165	301	-	21,640
Net position end of year	\$ 329	300	7,113	6,920	6,165	301	4,457	25,585

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,768,643	5,703,394	5,391,957	5,186,801	4,649,023	4,347,649	3,575,835	3,234,742	3,168,824	2,767,200
Tuition	1,191,695	1,048,600	1,006,673	1,014,968	892,508	806,991	706,255	799,047	648,293	518,066
Other	923,961	1,447,692	807,489	750,738	790,033	1,024,595	756,948	549,533	495,114	523,710
State sources	8,020,063	8,030,439	7,495,087	6,613,909	7,059,694	6,802,555	5,818,628	5,249,603	4,788,783	4,563,957
Federal sources	218,122	284,515	1,320,113	895,797	291,452	152,056	157,791	236,046	194,351	300,718
Total	\$ 16,122,484	16,514,640	16,021,319	14,462,213	13,682,710	13,133,846	11,015,457	10,068,971	9,295,365	8,673,651
Expenditures:										
Current:										
Instruction:										
Regular	\$ 6,100,816	5,709,992	5,335,294	5,833,806	5,774,940	5,189,594	4,712,334	4,307,045	4,094,228	3,592,606
Special	1,505,463	1,504,078	1,447,366	1,312,584	1,329,432	1,260,668	1,185,672	1,214,103	1,247,292	1,022,362
Other	1,846,716	1,768,856	1,578,589	1,093,601	982,601	996,817	899,698	775,325	726,625	725,111
Support services:										
Student	333,130	288,350	275,878	268,361	289,696	283,934	279,601	261,587	227,799	238,722
Instructional staff	382,020	307,818	312,053	299,694	259,524	250,050	195,609	181,220	178,849	130,564
Administration	1,491,242	1,629,024	1,336,756	1,227,169	1,280,601	1,320,989	1,178,454	1,286,724	1,038,110	819,307
Operation and maintenance of plant	1,074,706	1,542,179	847,385	941,042	975,746	1,015,733	891,442	904,531	858,577	749,813
Transportation	749,940	599,810	410,806	363,347	781,409	347,964	442,407	353,667	424,126	298,354
Non-instructional programs	-	-	26,802	-	-	-	-	-	-	-
Capital outlay	588,756	2,695,037	12,473,465	2,185,255	391,154	532,939	2,449,914	156,450	94,194	1,500,511
Long-term debt:										
Principal	986,312	837,295	432,358	416,018	402,693	370,000	405,000	365,000	395,007	270,000
Interest and fiscal charges	744,411	676,708	641,426	299,457	310,659	322,176	349,251	272,930	271,256	293,367
Other expenditures:										
AEA flow-through	491,690	485,277	514,852	499,411	429,285	398,409	365,632	325,981	304,335	297,732
Total	\$ 16,295,202	18,044,424	25,633,030	14,739,745	13,207,740	12,289,273	13,355,014	10,404,563	9,860,398	9,938,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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 Center Point-Urbana Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Center Point-Urbana Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 deficiency described in Part I of the accompanying Schedule of Findings as items I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-13 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Center Point-Urbana Community School District's Responses to Findings

Center Point-Urbana Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Center Point-Urbana Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2014
Newton, Iowa

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Payroll - recordkeeping, preparation, posting and distribution.
- 5) Financial reporting - preparing, reconciling and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - collecting and recording; posting and depositing; purchase order processing, check preparation, and reconciling.

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

Response - The District has plans to hire an additional .5 FTE as of July 1, 2013 to assist with accounting duties and address segregation of duties. The District continues to review internal controls and maximize segregation of duties whenever possible.

Conclusion - Response accepted.

I-B-13 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection methods to collect the balances from the families or give these families a free/reduced lunch application to see if they qualify.

Response - The District will reevaluate its collection policies for the Nutrition Fund in an attempt to reduce negative lunch account balances.

Conclusion - Response accepted.

CENTER POINT-URBANA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the instructional and other expenditures functional areas.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will continue to monitor expenditures and follow the budget amendment process when necessary.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 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.

II-D-13 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bill Wright, Bus Driver	Supplies	\$3,179
Owns WSA Promotions, LLC	Sports Apparel	\$21,893
Doug Arnold, Bus Driver		
Owns Arnold's Outdoor Equipment	Purchased services & supplies	\$695
Heidi McGonegle, Teacher		
Spouse is agent for the Cotton Gallery	Supplies	\$5,174

The above transaction between the District and Bill Wright for sports apparel appears to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, "A school director, officer or teacher shall not act as agent for the purchase of school textbooks or school supplies, including sports apparel or equipment, in any transaction with a director, officer, or other staff member of the school district during such term of office or employment." The purchase of sports apparel from the bus driver's business appears to be in violation of this code.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with Doug Arnold, Heidi McGonegle, and the supplies purchased from Bill Wright do not appear to represent a conflict of interest.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - The District will address the situation immediately and determine whether the District will stop doing business with WSA Promotions or if Mr. Wright will resign as a bus driver.

Conclusion - Response acknowledged. The District should also contact its attorney to determine the legality of these transactions and if any corrective action is required.

II-E-13 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.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 3.0 students.

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

Response - The District's auditors will contact the Iowa Department of Education and the Department of management to resolve this manner.

Conclusion - Response accepted.

II-H-13 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.

II-I-13 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.

II-J-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-K-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

However, we noted that in prior years the District had been making annual principal and interest payments on a bus lease to Kansas State Bank from the Capital Projects: Physical Plant and Equipment Levy Fund. During the year ended June 30, 2013, the District made the final bus lease payment from the Capital Projects: Statewide Sales, Services and Use Tax Fund instead of the Capital Projects: Physical Plant and Equipment Levy Fund.

Recommendation - The District should make a corrective transfer in fiscal year 2014 of \$82,451.19 from the Capital Projects: Physical Plant and Equipment Levy Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Response - The District will make the necessary corrective transfer in FY 2014.

Conclusion - Response accepted.

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,265,934
Revenues:		
Sales tax revenues	\$ 1,095,432	
Other local revenues	16,237	
Proceeds from bus loan	259,106	1,370,775
Total Revenues		<u>2,636,709</u>
Expenditures/transfers out:		
School infrastructures	\$ 317,783	
Equipment	259,106	
Other	105,307	
Transfers to Other Funds:		
Debt service fund	966,496	1,648,692
Ending Balance		<u>\$ 988,017</u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-L-13 Financial Condition - The District had a deficit unassigned balance of \$859 in the Student Activity Fund at June 30, 2013. The District also had a deficit unrestricted net position balance of \$169,791 in School Nutrition Fund.

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

Response - The District will continue to monitor the Activity and Nutrition Funds to return negative accounts to a positive balance.

Conclusion - Response accepted.

II-M-13 Officiating Contracts - We noted during our audit that the Board President was not signing athletic officiating contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into, to comply with Chapter 291.1 of the Code of Iowa.

Response - The District will correct an issue in the RSchools Today software program which was causing the omission of the Board President's name on the Middle School officiated contracts.

Conclusion - Response accepted.