

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

JUNE 30, 2013

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Centerville Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Nick Hindley	President (Resigned May 13, 2013)	2015
Richard Roos	President (Appointed May 13, 2013)	2015
Richard Roos	Vice President (Resigned May 13, 2013)	2015
Tom Lange	Vice President (Appointed May 13, 2013)	2013
Bill Matkovich	Board Member	2015
Michelle Moore	Board Member	2015
Jeri Pershy	Board Member	2013
Marty Braster	Board Member	2013
Tom Lange	Board Member (Resigned May 13, 2013)	2013
Nick Hindley	Board Member (Appointed May 13, 2013)	2015

School Officials

Anthony Ryan	Superintendent	2013
Rob Busch	Business Manager	2013
Linda Henderson	Board Secretary/Treasurer	2013
Rick Engel	Attorney	2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Centerville 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 Centerville Community School District, Centerville, 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 Centerville 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 15 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Centerville 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 four years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to the second paragraph of this report, for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 February 7, 2014 on our consideration of Centerville 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 Centerville Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 7, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$14,257,655 in fiscal 2012 to \$14,074,598 in fiscal 2013, and General Fund expenditures decreased from \$13,671,624 in fiscal 2012 to \$13,113,094 in fiscal 2013. The District's General Fund balance increased from \$882,600 at the end of fiscal 2012 to \$1,844,104 at the end of fiscal 2013, a 108.94% increase.
- The decrease in General Fund revenues was primarily attributable to a decrease in local and federal revenues in 2013. The decrease in expenditures was due primarily to a decrease in instruction and support services expenditures.

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 Centerville Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

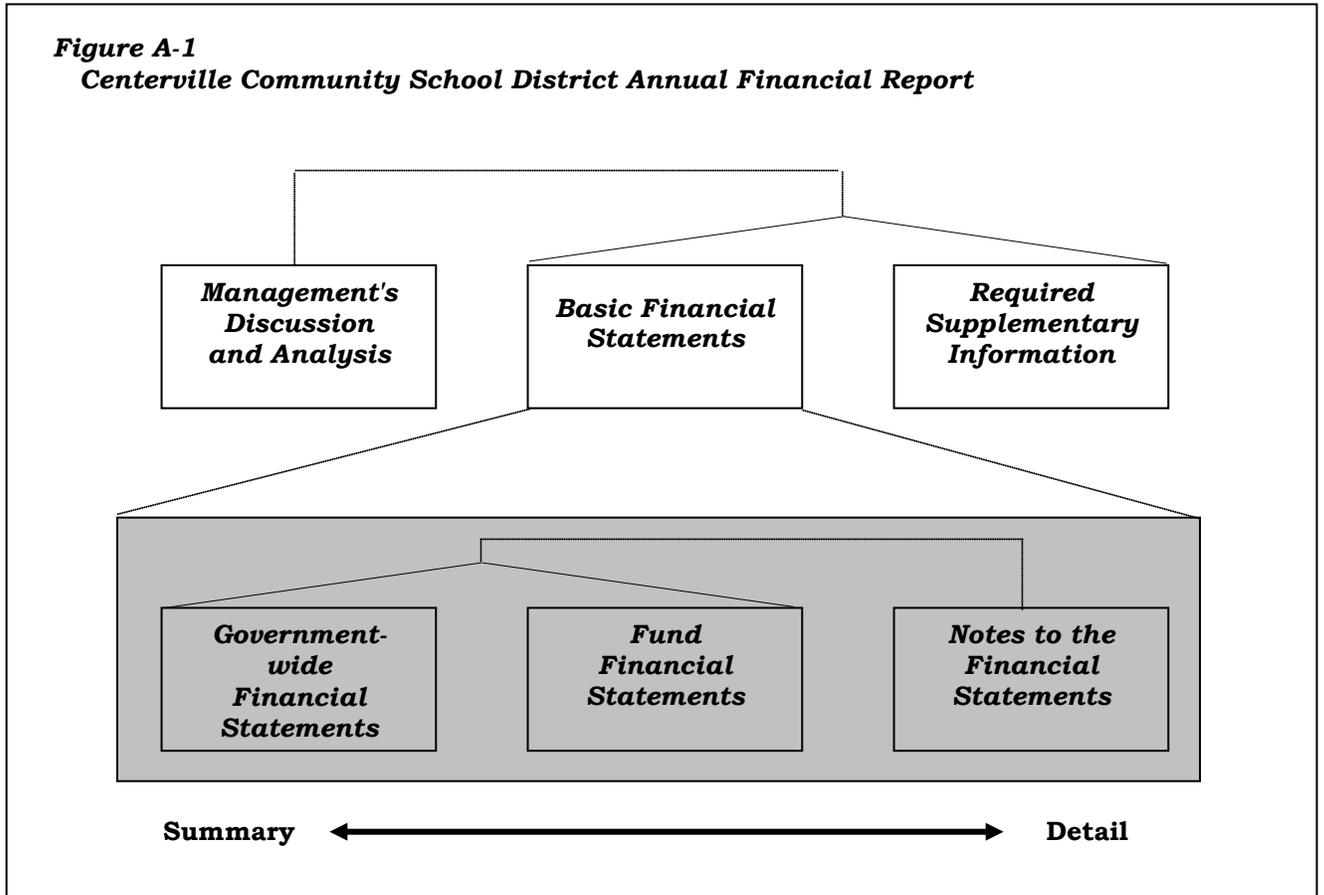


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and child care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 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 statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial position. Over time, increases or decreases in the District's net position is an indicator of whether the financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for proprietary funds include a Statement of Fiduciary Net Position and 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 net position for the year ended June 30, 2012 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 11,783,482	9,859,229	116,366	134,686	11,899,848	9,993,915	19.07%
Capital assets	8,683,005	9,036,595	36,003	43,689	8,719,008	9,080,284	-3.98%
Total assets	20,466,487	18,895,824	152,369	178,375	20,618,856	19,074,199	8.10%
Long-term obligations	1,860,735	2,489,171	-	-	1,860,735	2,489,171	-25.25%
Other liabilities	6,397,554	6,290,305	54,131	49,451	6,451,685	6,339,756	1.77%
Total liabilities	8,258,289	8,779,476	54,131	49,451	8,312,420	8,828,927	-5.85%
Net position:							
Invested in capital assets, net of related debt	7,018,005	6,786,595	36,003	43,689	7,054,008	6,830,284	3.28%
Restricted	3,916,937	2,733,537	-	-	3,916,937	2,733,537	43.29%
Unrestricted	1,273,256	596,216	62,235	85,235	1,335,491	681,451	95.98%
Total net position	\$ 12,208,198	10,116,348	98,238	128,924	12,306,436	10,245,272	20.12%

The District's total net position increased by 20.12%, or \$2,061,164 over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,183,400, or 43.29% under the prior year. The increase was primarily a result of the increase in the amount restricted for school infrastructure as compared to the previous year.

Unrestricted net position - 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 \$654,040, or 95.98%. The increase was primarily due to the increase in ending General Fund balance.

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

Figure A-4
Changes in Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities				Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues							
Program revenues:							
Charges for services	\$ 820,079	755,410	229,438	240,927	1,049,517	996,337	5.34%
Operating grants and contributions and restricted interest	1,787,883	1,713,783	399,649	398,179	2,187,532	2,111,962	3.58%
Capital grants and contributions and restricted interest	9,252	109,045	-	-	9,252	109,045	-91.52%
General revenues:							
Property tax	4,324,460	4,363,298	-	-	4,324,460	4,363,298	-0.89%
Income surtax	145,775	187,737	-	-	145,775	187,737	-22.35%
Statewide sales, services and use tax	1,173,633	1,053,624	-	-	1,173,633	1,053,624	11.39%
City sales and services tax	110,547	94,062	-	-	110,547	94,062	17.53%
Unrestricted state grants	8,071,477	8,251,812	-	-	8,071,477	8,251,812	-2.19%
Nonspecific program federal revenue	5,224	4,459	-	-	5,224	4,459	17.16%
Unrestricted investment earnings	30,288	27,393	43	54	30,331	27,447	10.51%
Other	165,988	206,991	2,699	1,712	168,687	208,703	-19.17%
Total revenues	16,644,606	16,767,614	631,829	640,872	17,276,435	17,408,486	-0.76%
Program expenses:							
Governmental activities:							
Instruction	9,592,439	9,682,729	-	-	9,592,439	9,682,729	-0.93%
Support services	4,009,015	4,415,853	21,037	13,458	4,030,052	4,429,311	-9.01%
Non-instructional programs	-	-	641,478	651,607	641,478	651,607	-1.55%
Other expenses	951,302	983,166	-	-	951,302	983,166	-3.24%
Total expenses	14,552,756	15,081,748	662,515	665,065	15,215,271	15,746,813	-3.38%
Change in net position	2,091,850	1,685,866	(30,686)	(24,193)	2,061,164	1,661,673	24.04%
Net position beginning of year	10,116,348	8,430,482	128,924	153,117	10,245,272	8,583,599	19.36%
Net position end of year	\$ 12,208,198	10,116,348	98,238	128,924	12,306,436	10,245,272	20.12%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, city sales and services tax and unrestricted state grants account for 83.07% of the governmental revenue while charges for services and operating grants and contributions account for 99.57% of the revenue from business type activities.

The District's total revenues were approximately \$17.27 million, of which approximately \$16.64 million was for governmental activities and approximately \$0.63 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.76% decrease in revenues and a 3.38% decrease in expenses. Unrestricted state grant revenues decreased \$180,335 which caused the majority of the decrease in revenues. The decrease in expenses was primarily a result of a decrease in support services expenses.

Governmental Activities

Revenues net of transfers for governmental activities were \$16,644,606 and expenses were \$14,552,756.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs 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	\$ 9,592,439	9,682,729	-0.93%	\$ 7,519,459	7,825,882	-3.92%
Support services	4,009,015	4,415,853	-9.21%	3,997,649	4,228,475	-5.46%
Other expenses	951,302	983,166	-3.24%	418,434	448,153	-6.63%
Totals	<u>\$ 14,552,756</u>	<u>15,081,748</u>	<u>-3.51%</u>	<u>\$ 11,935,542</u>	<u>12,502,510</u>	<u>-4.53%</u>

- The cost financed by users of the District's programs was \$820,079.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,797,135.
- The net cost of governmental activities was financed with \$4,324,460 in property tax, \$145,775 in income surtax, \$1,173,633 in statewide sales, services and use tax, \$110,547 in city sales and services tax, \$8,071,477 in unrestricted state grants, \$5,224 in nonspecific program federal revenue, \$30,288 in unrestricted investment earnings, and \$165,988 in other general revenues.

Business Type Activities

Revenues of the District's Business type activities were \$631,829 and expenses were \$662,515. The District's Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,034,903, above last year's ending fund balances of \$3,065,385. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Although the District experienced a decrease in revenues, which was due to a decrease in federal source revenues, this was offset by a decrease in expenditures. The General Fund balance increased from \$882,600 to \$1,844,104.
- The Capital Projects Accounts total balance increased from \$1,113,914 at June 30, 2012, to \$2,066,906 at June 30, 2013. This increase was due to revenues from statewide sales, services and use tax revenues in excess of capital expenditures and transfers to the Debt Service Fund.
- The Debt Service Fund balance increased from \$359,798 at June 30, 2012 to \$362,933 at June 30, 2013. This increase was primarily the result of an increase in local tax revenue during the year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$128,924 at June 30, 2012 to \$98,238 at June 30, 2013, representing a decrease of 23.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$544,376 more than budgeted revenues, a variance of 3.05%. The most significant variance resulted from the District receiving less in federal source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The district then manages or controls general Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area. In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$8.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.98 % from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$503,228.

The original cost of the District's capital assets was \$19.01 million. Governmental funds account for \$18.76 million with the remainder of \$0.25 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvement category. The District's land improvement totaled \$119,626 at June 30, 2013, compared to \$142,344 reported at June 30, 2012. This decrease resulted primarily from depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 204,400	204,400	-	-	204,400	204,400	0.00%
Buildings	7,918,147	8,238,290	-	-	7,918,147	8,238,290	-3.89%
Land improvements	119,626	142,344	-	-	119,626	142,344	-15.96%
Machinery and equipment	440,832	451,561	36,003	43,689	476,835	495,250	-3.72%
Total	\$ 8,683,005	9,036,595	36,003	43,689	8,719,008	9,080,284	-3.98%

Long-Term Debt

At June 30, 2013, the District had \$1,860,735 in general obligation and other long-term debt outstanding. This represents a decrease of 25.25% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$870,000 at June 30, 2013.

The District had outstanding revenue bonds of \$795,000 at June 30, 2013.

The District had a net pension liability of \$105,813 at June 30, 2013.

The District also had compensated absences payable of \$89,922 at June 30, 2013, which will be paid primarily out of the General Fund.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Total
	Activities		Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 870,000	1,120,000	-22.32%
Revenue bonds	795,000	1,130,000	-29.65%
Net pension liability	105,813	58,260	81.62%
Early retirement	-	96,503	-100.00%
Compensated absences	89,922	84,408	6.53%
Totals	\$ 1,860,735	2,489,171	-25.25%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment in 13 of the past 16 years.
- Due to the declining enrollment of 28 students per year over the last decade, two of the District's k-3 buildings were closed. Cincinnati Elementary in Cincinnati, Ia and Mystic Elementary in Mystic, Ia were the two buildings that were closed. The District's General Fund expenditure budget had too much liability to sustain on-going payroll practices. If the District experiences a positive surge in student enrollment it may have to consider additional options for classroom square footage.
- Low allowable growth over the past several years and enrollment decreases in negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our current unspent balance.
- The state's financial woes and its inability to make its foundation payments to schools in full compounds the district's economic issues and at this time may be the most serious of the factors causing concern for the school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGMENT

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

Centerville Community School District

Basic Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments:	\$ 6,191,195	88,820	6,280,015
Receivables:			
Property tax:			
Delinquent	100,563	-	100,563
Succeeding year	4,492,230	-	4,492,230
Income surtax	144,357	-	144,357
Accounts	2,075	16	2,091
Due from other governments	628,055	-	628,055
Inventories	-	20,428	20,428
Capital assets not being depreciated:			
Land	204,400	-	204,400
Capital assets being depreciated, net of accumulated depreciation:			
Buildings	7,918,147	-	7,918,147
Land improvements	119,626	-	119,626
Machinery and equipment	440,832	36,003	476,835
Net OPEB asset	225,007	7,102	232,109
Total Assets	20,466,487	152,369	20,618,856
Liabilities			
Accounts payable	333,290	2,055	335,345
Salaries and benefits payable	1,542,173	43,732	1,585,905
Interest payable	18,339	-	18,339
Deferred revenue:			
Succeeding year property tax	4,492,230	-	4,492,230
Other	11,522	-	11,522
Unearned revenue	-	8,344	8,344
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	300,000	-	300,000
Revenue bonds payable	495,000	-	495,000
Compensated absences payable	89,922	-	89,922
Portion due after one year:			
General obligation bonds payable	570,000	-	570,000
Revenue bonds payable	300,000	-	300,000
Net pension liability	105,813	-	105,813
Total Liabilities	8,258,289	54,131	8,312,420
Net Position			
Invested in capital assets, net of related debt	7,018,005	36,003	7,054,008
Restricted for:			
Categorical funding	744,477	-	744,477
School infrastructure	1,883,892	-	1,883,892
Physical plant and equipment levy	183,014	-	183,014
Management levy purposes	220,243	-	220,243
Student activities	233,681	-	233,681
Support trust	307,036	-	307,036
Debt service	344,594	-	344,594
Unrestricted	1,273,256	62,235	1,335,491
Total Net Position	\$ 12,208,198	98,238	12,306,436

SEE NOTES TO FINANCIAL STATEMENTS.

**CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 5,827,746	489,365	147,452	-	(5,190,929)	-	(5,190,929)
Special	1,805,566	90,920	218,251	-	(1,496,395)	-	(1,496,395)
Other	1,959,127	238,664	888,328	-	(832,135)	-	(832,135)
	<u>9,592,439</u>	<u>818,949</u>	<u>1,254,031</u>	<u>-</u>	<u>(7,519,459)</u>	<u>-</u>	<u>(7,519,459)</u>
Support services:							
Student	482,754	-	-	-	(482,754)	-	(482,754)
Instructional staff	373,572	-	984	-	(372,588)	-	(372,588)
Administration	1,562,647	-	-	-	(1,562,647)	-	(1,562,647)
Operation and maintenance of plant	1,114,868	-	-	9,252	(1,105,616)	-	(1,105,616)
Transportation	475,174	1,130	-	-	(474,044)	-	(474,044)
	<u>4,009,015</u>	<u>1,130</u>	<u>984</u>	<u>9,252</u>	<u>(3,997,649)</u>	<u>-</u>	<u>(3,997,649)</u>
Long-term debt interest	75,573	-	-	-	(75,573)	-	(75,573)
Other expenses:							
AEA flowthrough	532,868	-	532,868	-	-	-	-
Depreciation(unallocated)*	342,861	-	-	-	(342,861)	-	(342,861)
	<u>875,729</u>	<u>-</u>	<u>532,868</u>	<u>-</u>	<u>(342,861)</u>	<u>-</u>	<u>(342,861)</u>
Total governmental activities	<u>14,552,756</u>	<u>820,079</u>	<u>1,787,883</u>	<u>9,252</u>	<u>(11,935,542)</u>	<u>-</u>	<u>(11,935,542)</u>
Business type activities:							
Support services:							
Administration	3,539	-	-	-	-	(3,539)	(3,539)
Operation and maintenance of plant	15,900	-	-	-	-	(15,900)	(15,900)
Transportation	1,598	-	-	-	-	(1,598)	(1,598)
Non-instructional programs:							
Food service operations	641,478	229,438	399,649	-	-	(12,391)	(12,391)
Total business type activities	<u>662,515</u>	<u>229,438</u>	<u>399,649</u>	<u>-</u>	<u>-</u>	<u>(33,428)</u>	<u>(33,428)</u>
Total primary government	\$ <u>15,215,271</u>	<u>1,049,517</u>	<u>2,187,532</u>	<u>9,252</u>	<u>(11,935,542)</u>	<u>(33,428)</u>	<u>(11,968,970)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 3,803,442	-	3,803,442
Debt service					306,886	-	306,886
Capital outlay					214,132	-	214,132
Income surtax					145,775	-	145,775
Statewide sales, services and use tax					1,173,633	-	1,173,633
City sales, services and use tax					110,547	-	110,547
Unrestricted state grants					8,071,477	-	8,071,477
Nonspecific program federal revenue					5,224	-	5,224
Unrestricted investment earnings					30,288	43	30,331
Other general revenues					165,988	2,699	168,687
Total general revenues					<u>14,027,392</u>	<u>2,742</u>	<u>14,030,134</u>
Change in net position					2,091,850	(30,686)	2,061,164
Net position beginning of year					10,116,348	128,924	10,245,272
Net position end of year					\$ <u>12,208,198</u>	<u>98,238</u>	<u>12,306,436</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,290,601	1,779,861	355,867	764,866	6,191,195
Receivables:					
Property tax:					
Delinquent	79,270	4,904	7,066	9,323	100,563
Succeeding year	3,663,093	222,592	306,545	300,000	4,492,230
Income surtax	48,119	96,238	-	-	144,357
Accounts	605	-	-	1,470	2,075
Due from other funds	7,829	-	-	-	7,829
Due from other governments	317,636	310,419	-	-	628,055
Total Assets	\$ 7,407,153	2,414,014	669,478	1,075,659	11,566,304
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ -	-	-	7,829	7,829
Accounts payable	298,142	28,278	-	6,870	333,290
Salaries and benefits payable	1,542,173	-	-	-	1,542,173
Deferred revenue:					
Succeeding year property tax	3,663,093	222,592	306,545	300,000	4,492,230
Income surtax	48,119	96,238	-	-	144,357
Other	11,522	-	-	-	11,522
Total liabilities	5,563,049	347,108	306,545	314,699	6,531,401
Fund balances:					
Reserved for:					
Categorical funding	744,477	-	-	-	744,477
School infrastructure	-	1,883,892	-	-	1,883,892
Physical plant and equipment levy	-	183,014	-	-	183,014
Management levy purposes	-	-	-	220,243	220,243
Student activities	-	-	-	233,681	233,681
Support trust	-	-	-	307,036	307,036
Debt service	-	-	362,933	-	362,933
Unassigned	1,099,627	-	-	-	1,099,627
Total fund balances	1,844,104	2,066,906	362,933	760,960	5,034,903
Total Liabilities and Fund Balances	\$ 7,407,153	2,414,014	669,478	1,075,659	11,566,304

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE 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)	\$	5,034,903
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		8,683,005
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.		(18,339)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		144,357
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		225,007
Long-term liabilities, including bonds payable, net pension liability, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(1,860,735)</u>
Net position of governmental activities(page 18)	\$	<u>12,208,198</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,498,072	1,593,411	306,886	400,469	5,798,838
Tuition	434,527	-	-	-	434,527
Other	315,945	25,220	2,907	284,449	628,521
State sources	9,024,765	177	254	335	9,025,531
Federal sources	800,510	253	364	485	801,612
Total revenues	<u>14,073,819</u>	<u>1,619,061</u>	<u>310,411</u>	<u>685,738</u>	<u>16,689,029</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,559,507	47,127	-	147,219	5,753,853
Special	1,754,306	-	-	5,383	1,759,689
Other	1,736,437	-	-	244,734	1,981,171
	<u>9,050,250</u>	<u>47,127</u>	<u>-</u>	<u>397,336</u>	<u>9,494,713</u>
Support services:					
Student	479,266	-	-	1,077	480,343
Instructional staff	367,534	24,733	-	-	392,267
Administration	1,342,100	-	-	171,845	1,513,945
Operation and maintenance of plant	953,286	-	-	49,906	1,003,192
Transportation	387,790	103,927	-	13,687	505,404
	<u>3,529,976</u>	<u>128,660</u>	<u>-</u>	<u>236,515</u>	<u>3,895,151</u>
Capital outlay	-	109,838	-	-	109,838
Long-term debt:					
Principal	-	-	1,730,000	-	1,730,000
Interest and fiscal charges	-	-	85,911	-	85,911
	<u>-</u>	<u>-</u>	<u>1,815,911</u>	<u>-</u>	<u>1,815,911</u>
Other expenditures:					
AEA flowthrough	532,868	-	-	-	532,868
	<u>532,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,868</u>
Total expenditures	<u>13,113,094</u>	<u>285,625</u>	<u>1,815,911</u>	<u>633,851</u>	<u>15,848,481</u>
Excess(Deficiency) of revenues over(under) expenditures	960,725	1,333,436	(1,505,500)	51,887	840,548
Other financing sources(uses):					
General obligation refunding bond issuance	-	-	1,145,000	-	1,145,000
Discount on general obligation refunding bond issuance	-	-	(16,030)	-	(16,030)
Transfer in	779	4,244	379,665	-	384,688
Transfer out	-	(384,688)	-	-	(384,688)
Total other financing sources(uses)	<u>779</u>	<u>(380,444)</u>	<u>1,508,635</u>	<u>-</u>	<u>1,128,970</u>
Change in fund balances	961,504	952,992	3,135	51,887	1,969,518
Fund balances beginning of year	<u>882,600</u>	<u>1,113,914</u>	<u>359,798</u>	<u>709,073</u>	<u>3,065,385</u>
Fund balances end of year	<u>\$ 1,844,104</u>	<u>2,066,906</u>	<u>362,933</u>	<u>760,960</u>	<u>5,034,903</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 1,969,518

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of 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, in the current year are as follows:

Capital outlays	\$ 141,952	
Depreciation expense	(495,542)	(353,590)

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of long-term liabilities is an expenditures 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	(1,145,000)	
Repaid	1,730,000	585,000

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.

10,338

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

(44,423)

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.

Termination benefits	96,503	
Compensated absences	(5,514)	
Net pension liability	(47,553)	
Other postemployment benefits	(118,429)	(74,993)

Changes in net position of governmental activities(page 19) \$ 2,091,850

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 88,820
Accounts receivable	16
Inventories	20,428
Total current assets	109,264
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	36,003
Net OPEB asset	7,102
Total non-current assets	43,105
Total assets	152,369
Liabilities	
Current liabilities:	
Accounts payable	2,055
Salaries and benefits payable	43,732
Unearned revenue	8,344
Total liabilities	54,131
Net Position	
Invested in capital assets	36,003
Unrestricted	62,235
Total net position	\$ 98,238

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 229,438
Miscellaneous	2,699
Total operating revenues	232,137
Operating expenses:	
Support services:	
Administration:	
Services	1,372
Supplies	2,167
	3,539
Operation and maintenance of plant:	
Services	15,900
Transportation:	
Services	16
Supplies	1,582
	1,598
Total support services	21,037
Non-instructional programs:	
Food service operations:	
Salaries	230,468
Benefits	73,133
Services	637
Supplies	329,554
Depreciation	7,686
Total non-instructional programs	641,478
Total operating expenses	662,515
Operating loss	(430,378)
Non-operating revenues:	
State sources	5,435
Federal sources	394,214
Interest on investments	43
Total non-operating revenues	399,692
Change in net position	(30,686)
Net position beginning of year	128,924
Net position end of year	\$ 98,238

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 230,170
Cash received from miscellaneous sources	2,699
Cash payments to employees for services	(298,593)
Cash payments to suppliers for goods or services	(321,261)
Net cash used in operating activities	(386,985)
Cash flows from non-capital financing activities:	
State grants received	5,435
Federal grants received	354,210
Net cash provided by non-capital financing activities	359,645
Cash flows from investing activities:	
Interest on investments	43
Net decrease in cash and cash equivalents	(27,297)
Cash and cash equivalents at beginning of year	116,117
Cash and cash equivalents at end of year	\$ 88,820
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (430,378)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	40,004
Depreciation	7,686
Increase in inventories	(11,129)
Increase in accounts receivable	(16)
Increase in accounts payable	1,092
Increase in salaries and benefits payable	2,840
Increase in unearned revenue	748
Increase in other postemployment benefits	2,168
Net cash used in operating activities	\$ (386,985)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013 the District received Federal commodities valued at \$40,004.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 353,824
Liabilities	
Accounts payable	<u>500</u>
Net Position	
Restricted for scholarships	<u><u>\$ 353,324</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 4,000
Interest income	2,432
Total additions	<u>6,432</u>
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	<u>8,750</u>
Change in net position	(2,318)
Net position beginning of year	<u>355,642</u>
Net position end of year	<u>\$ 353,324</u>

SEE NOTES TO FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports the following nonmajor proprietary fund:

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

The District also reports the following fiduciary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangible assets	100,000
Machinery and equipment:	
School Nutrition Fund equipment	2,500
Other machinery and equipment	2,500

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

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-

term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

Note 2. Cash and Pooled Investments

The District's deposits in banks 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 \$85 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

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

Due to	Due from	Amount
General	Special Revenue Fund: Management Levy	\$ <u>7,829</u>

The Special Revenue: Management Levy Fund is repaying the General Fund for employee benefits that were not repaid before year end.

Note 4. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 231,103
Debt Service	Capital Projects: City Sales, Services and Use Tax	148,562
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Statewide Sales, Services and Use Tax	4,244
General Fund	Capital Projects: Physical Plant and Equipment Levy	779
Total		<u>\$ 384,688</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s revenue bond indebtedness.

The transfer from the Capital Projects: City Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District’s revenue bond indebtedness.

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

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the General Fund is for expenses that should have been paid from the General Fund.

Note 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2012-2013 ONE included taxable warrants only. The interest rates on the Series 2012-2013 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. The LIBOR rate at June 30, 2013 was 0.1932%. A summary of the District’s ISCAP activity for the year ended June 30, 2013 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2012-13 ONE	6/27/12	12/1/13	\$ -	\$ 100,000	\$ 100,000	\$ -

During the year ended June 30, 2013, the District paid \$17 of interest on the ISCAP warrants.

Note 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	-	-	204,400
Total capital assets not being depreciated	204,400	-	-	204,400
Capital assets being depreciated:				
Buildings	15,509,670	-	-	15,509,670
Land improvements	453,767	-	-	453,767
Machinery and equipment	2,793,440	141,952	346,506	2,588,886
Total capital assets being depreciated	18,756,877	141,952	346,506	18,552,323
Less accumulated depreciation for:				
Buildings	7,271,380	320,143	-	7,591,523
Land improvements	311,423	22,718	-	334,141
Machinery and equipment	2,341,879	152,681	346,506	2,148,054
Total accumulated depreciation	9,924,682	495,542	346,506	10,073,718
Total capital assets being depreciated, net	8,832,195	(353,590)	-	8,478,605
Governmental activities capital assets, net	\$ 9,036,595	(353,590)	-	8,683,005
Business type activities:				
Machinery and equipment	\$ 251,415	-	-	251,415
Less accumulated depreciation	207,726	7,686	-	215,412
Business type activities capital assets, net	\$ 43,689	7,686	-	36,003

Depreciation expense was charged by the District as follows:

Governmental activities:	
Regular Instruction	\$ 71,507
Transportation	81,174
	<u>152,681</u>
Unallocated depreciation	<u>342,861</u>
Total governmental activities depreciation expense	<u>\$ 495,542</u>
Business type activities:	
Food services	<u>\$ 7,686</u>

Note 7. Long-Term Debt

A summary of changes in long-term debt for governmental activities for the year ended June 30, 2013 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,120,000	1,145,000	1,395,000	870,000	300,000
Revenue Bonds	1,130,000	-	335,000	795,000	495,000
Net Pension Liability	58,260	47,553	-	105,813	-
Termination Benefits*	96,503	36,420	132,923	-	-
Compensated Absences	84,408	89,922	84,408	89,922	89,922
Total	\$ 2,489,171	1,318,895	1,947,331	1,860,735	884,922

* - Termination benefits are calculated based on actuarial valuations reflected in the Net Pension Liability in accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of February 14, 2013			
	Rate	Principal	Interest	Total
2014	0.55 %	\$ 300,000	6,045	306,045
2015	0.70	300,000	4,395	304,395
2016	0.85	270,000	2,295	272,295
Total		\$ 870,000	12,735	882,735

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2006			
	Rate	Principal	Interest	Total
2014	4.45-4.50 %	\$ 495,000	30,998	525,998
2015	4.50	300,000	6,750	306,750
Total		\$ 795,000	37,748	832,748

The District has pledged future local option sales and services tax revenues to repay the \$2,370,000 of bonds issued in July 2006. The bonds were used for the purpose of funding capital facility construction. The bonds are payable solely from the proceeds of the statewide and city sales and services tax revenues received by the District and are payable through 2015. 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 41% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$832,748. For the current year \$335,000 in principal and \$47,652 in interest was paid on the bonds and total statewide and city sales and services tax revenues were \$1,284,180.

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

- a) \$237,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available on the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) Monthly transfers from the statewide and city sales, services and use tax funds shall be placed in a revenue account held by the District's bond paying agent.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Note 8. Current Refunding of General Obligation Bonds

On February 14, 2013, the District issued \$1,145,000 in general obligation bonds with an interest rate ranging from 0.45% to 0.85% to refund \$1,120,000 of outstanding general obligation bonds dated November 1, 2005 with interest rates ranging from 3.55% to 3.75%. The general obligation bonds dated November 1, 2005 are considered to be defeased and the liability for those bonds has been removed from the government-wide Statement of Net Position. The new refunding bonds have been added to the appropriate financial statements and schedules. The net economic gain of this bond refunding is \$37,797.

Note 9. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 163 active and 16 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 170,508
Interest on net OPEB obligation	(8,818)
Adjustment to annual required contribution	48,908
Annual OPEB cost	<u>210,598</u>
Contributions made	(90,001)
Decrease in net OPEB obligation	<u>120,597</u>
Net OPEB obligation beginning of year	(352,706)
Net OPEB obligation end of year	<u><u>\$ (232,109)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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	\$ 122,156	157.18%	\$ (304,000)
2012	131,294	137.10%	(352,706)
2013	210,598	42.74%	(232,109)

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 \$914,690, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$914,690. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,211,360, and the ratio of the UAAL to covered payroll was 8.96%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$653 per month for retirees and spouses less than 65. The salary increase rate was assumed to 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The explicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an closed basis over 10 years.

Note 10. Supplemental Pension Plan

Plan Description - The District provides a defined benefit pension benefit to eligible employees. Currently, all employees with the District who retire are eligible for this benefit. There are 191 active members in the plan as of June 30, 2013. The pension benefit is defined by the 2011-12 Master Contract, with the benefit being based on length of service to the District, hourly rate and number of sick leave/flexible leave day accrued. This benefit is paid in one lump sum upon retirement.

Funding Policy - Contribution requirements for the plan are established and may be amended by the District. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding all the pension benefits. Annual Pension Cost and Net Pension Obligation - The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District’s annual pension cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City’s net pension obligation:

Annual required contribution	\$	81,385
Pension payments made		(33,832)
Increase in net pension obligation		<u>47,553</u>
Net pension obligation beginning of year		58,260
Net pension obligation end of year	<u>\$</u>	<u>105,813</u>

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

The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013. For the year ended June 30, 2013, the District contributed \$33,832 to the pension plan. The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 77,955	25.26%	\$ 58,260
2013	81,385	41.57%	105,813

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$628,605, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$628,605. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$10,211,360 and the ratio of the UAAL to covered payroll was 6.16%. 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 employee retirement age.

Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. An inflation rate of 3% is assumed for purposes of this computation. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB.

Note 11. 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 salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$773,901, \$760,569 and \$667,746 respectively, equal to the required contributions for each year.

Note 12. Risk Management

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

Note 13. 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 \$532,868 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.

Note 14. 28E Agreements

The District continues to participate in a Chapter 28E agreement with the City of Centerville. In accordance with the agreement, the City of Centerville will contribute 20% of city sales and services tax to the Centerville School District. This will assist the District in financing the repayments of the revenue bonds that were issued for the construction of a new gymnasium at Howar Junior High School. This agreement is in place for 10 years and will expire June 30, 2013.

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

Note 15. Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2013 are comprised of the following projects:

Project	Amount
Limited english proficient weighting	\$ 20,199
Gifted and talented	30,009
Dropout and dropout prevention	86,947
Four-year-old preschool state aid	365,353
Beginning teacher mentoring and induction program	12,060
Teacher salary supplement	75,498
Model core curriculum	117,838
Professional development	36,573
Total restricted for categorical funding	\$ 744,477

Note 16. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	362,933	1,099,627
Capital assets	8,683,005	-	-
General obligation bond proceeds expended for capital assets	(870,000)	-	-
Revenue bond proceeds expended for capital assets	(795,000)	-	-
Income surtax	-	-	144,357
Accrued interest payable	-	(18,339)	-
Net OPEB asset	-	-	225,007
Compensated absences payable	-	-	(89,922)
Net pension liability	-	-	(105,813)
Net position (Exhibit A)	\$ 7,018,005	344,594	1,273,256

CENTERVILLE COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 6,861,886	232,180	7,094,066	7,060,573	7,060,573	33,493
Intermediate sources	-	-	-	85,000	85,000	(85,000)
State sources	9,025,531	5,435	9,030,966	9,224,091	9,224,091	(193,125)
Federal sources	801,612	394,214	1,195,826	1,495,570	1,495,570	(299,744)
Total revenues	16,689,029	631,829	17,320,858	17,865,234	17,865,234	(544,376)
Expenditures/Expenses:						
Instruction	9,494,713	-	9,494,713	10,894,400	10,894,400	1,399,687
Support services	3,895,151	21,037	3,916,188	4,758,500	4,758,500	842,312
Non-instructional programs	-	641,478	641,478	700,000	700,000	58,522
Other expenditures	2,458,617	-	2,458,617	1,755,733	1,755,733	(702,884)
Total expenditures/expenses	15,848,481	662,515	16,510,996	18,108,633	18,108,633	1,597,637
Excess(Deficiency) of revenues over(under) expenditures/expenses	840,548	(30,686)	809,862	(243,399)	(243,399)	1,053,261
Other financing sources, net	1,128,970	-	1,128,970	-	-	1,128,970
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,969,518	(30,686)	1,938,832	(243,399)	(243,399)	2,182,231
Balance beginning of year	3,065,385	128,924	3,194,309	2,272,243	2,272,243	922,066
Balance end of year	\$ 5,034,903	98,238	5,133,141	2,028,844	2,028,844	3,104,297

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 2,126,000	\$ 2,126,000	0.0 %	\$ 9,868,925	21.54 %
2011	July 1, 2010	-	1,203,000	1,203,000	0.0	9,086,847	13.24
2012	July 1, 2010	-	1,203,000	1,203,000	0.0	9,424,649	12.76
2013	July 1, 2012	-	914,690	914,690	0.0	10,211,360	8.96

See Note 9 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	July 1, 2011	\$ -	\$ 628,605	\$ 628,605	0.0 %	\$ 9,424,649	6.67 %
2013	July 1, 2011	-	628,605	628,605	0.0	10,211,360	6.16

See Note 10 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

Supplementary Information

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue			
	Management Levy	Student Activity	Support Trust	Total
Assets				
Cash and pooled investments	\$ 218,749	238,956	307,161	764,866
Receivables:				
Property tax:				
Delinquent	9,323	-	-	9,323
Succeeding year	300,000	-	-	300,000
Accounts	-	1,470	-	1,470
Total Assets	\$ 528,072	240,426	307,161	1,075,659
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 7,829	-	-	7,829
Accounts payable	-	6,745	125	6,870
Deferred revenue:				
Succeeding year property tax	300,000	-	-	300,000
Total liabilities	307,829	6,745	125	314,699
Fund Balances:				
Restricted for:				
Management levy purposes	220,243	-	-	220,243
Student activities	-	233,681	-	233,681
Support trust	-	-	307,036	307,036
Total fund balances	220,243	233,681	307,036	760,960
Total Liabilities and Fund Balances	\$ 528,072	240,426	307,161	1,075,659

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

YEAR ENDED JUNE 30, 2013

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
Revenues:				
Local sources:				
Local tax	\$ 400,469	-	-	400,469
Other	9,706	257,069	17,674	284,449
State sources	335	-	-	335
Federal sources	485	-	-	485
Total revenues	410,995	257,069	17,674	685,738
Expenditures:				
Current:				
Instruction				
Regular	143,049	-	4,170	147,219
Special	5,383	-	-	5,383
Other	5,383	239,351	-	244,734
Support services:				
Student	1,077	-	-	1,077
Administration	171,845	-	-	171,845
Operation and maintenance of plant	49,906	-	-	49,906
Transportation	13,687	-	-	13,687
Total expenditures	390,330	239,351	4,170	633,851
Change in fund balances	20,665	17,718	13,504	51,887
Fund balances beginning of year	199,578	215,963	293,532	709,073
Fund balances end of year	\$ 220,243	233,681	307,036	760,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS

YEAR ENDED JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	City Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 1,532,693	40,780	206,388	1,779,861
Receivables:				
Property tax:				
Delinquent	-	-	4,904	4,904
Succeeding year	-	-	222,592	222,592
Income surtax	-	-	96,238	96,238
Due from other governments	293,591	16,828	-	310,419
Total Assets	\$ 1,826,284	57,608	530,122	2,414,014
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	28,278	28,278
Deferred revenue:				
Succeeding year property tax	-	-	222,592	222,592
Income surtax	-	-	96,238	96,238
Total liabilities	-	-	347,108	347,108
Fund balances:				
Restricted for:				
School infrastructure	1,826,284	57,608	-	1,883,892
Physical plant and equipment levy	-	-	183,014	183,014
Total fund balances	1,826,284	57,608	183,014	2,066,906
Total Liabilities and Fund Balances	\$ 1,826,284	57,608	530,122	2,414,014

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	City Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 1,173,633	110,547	309,231	1,593,411
Other	14,584	289	10,347	25,220
State sources	-	-	177	177
Federal sources	-	-	253	253
Total revenues	<u>1,188,217</u>	<u>110,836</u>	<u>320,008</u>	<u>1,619,061</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	47,127	47,127
Support services:				
Instructional staff	-	-	24,733	24,733
Transportation	-	-	103,927	103,927
	<u>-</u>	<u>-</u>	<u>128,660</u>	<u>128,660</u>
Capital outlay	-	-	109,838	109,838
Total expenditures	<u>-</u>	<u>-</u>	<u>285,625</u>	<u>285,625</u>
Excess of revenues over expenditures	1,188,217	110,836	34,383	1,333,436
Other financing sources(uses):				
Transfer in	-	-	4,244	4,244
Transfers out	(235,347)	(148,562)	(779)	(384,688)
Total other financing sources(uses)	<u>(235,347)</u>	<u>(148,562)</u>	<u>3,465</u>	<u>(380,444)</u>
Change in fund balances	952,870	(37,726)	37,848	952,992
Fund balance beginning of year	<u>873,414</u>	<u>95,334</u>	<u>145,166</u>	<u>1,113,914</u>
Fund balance end of year	<u>\$ 1,826,284</u>	<u>57,608</u>	<u>183,014</u>	<u>2,066,906</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE 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	Intrafund Transfers	Balance End of Year
GENERAL ATHLETICS	\$ 2,690	3,250	3,600	-	2,340
HIGH SCHOOL GENERAL ACCOUNT	176	967	-	(943)	200
THESPIAN	5,877	4,927	2,226	-	8,578
SPEECH	4,778	4,028	3,846	-	4,960
VOCAL MUSIC CONCERT ADMISSIONS	10,549	2,534	-	(99)	12,984
VOCAL MUSIC	307	75	272	99	209
K-3 VOCAL MUSIC	91	-	-	-	91
INSTRUMENTAL MUSIC CONCERT ADMISSIONS	1,639	2,677	-	(3,844)	472
HIGH SCHOOL INSTRUMENTAL MUSIC RESALE	1,211	5,044	5,932	-	323
JUNIOR HIGH INSTRUMENTAL MUSIC	-	2,281	3,571	1,290	-
LAKEVIEW INSTRUMENTAL MUSIC	624	2,082	3,088	1,078	696
HIGH SCHOOL INSTRUMENTAL MUSIC	5	444	2,733	2,486	202
JUNIOR HIGH ATHLETICS	14,535	15,464	15,874	-	14,125
BOYS CROSS COUNTRY	749	596	1,252	607	700
GIRLS CROSS COUNTRY	699	623	1,212	643	753
BOYS BASKET BALL	5,722	12,322	10,853	(4,601)	2,590
FOOTBALL	6,998	15,702	14,131	(1,570)	6,999
BOYS SOCCER	1,189	1,341	3,873	2,560	1,217
BASEBALL	2,661	2,688	4,661	2,600	3,288
BOYS TRACK	334	2,164	3,539	2,433	1,392
BOYS TENNIS	500	469	322	(128)	519
BOYS GOLF	609	1,735	3,542	2,851	1,653
WRESTLING	2,435	5,377	7,637	2,355	2,530
GIRLS BASKETBALL	2,571	4,958	4,295	(243)	2,991
VOLLEYBALL	3,250	6,193	7,393	950	3,000
GIRLS VOLLEYBALL FUNDRAISERS	596	-	-	-	596
GIRLS SOCCER	1,033	556	1,592	903	900
SOFTBALL	7,043	10,191	9,258	(5,144)	2,832
GIRLS TRACK	404	3,784	3,312	795	1,671
GIRLS TENNIS	500	43	512	509	540
GIRLS GOLF	790	-	1,064	1,202	928
ACTIVITY TICKET	29,781	20,490	5,548	(6,723)	37,934
K-3 GENERAL ACCOUNT	168	-	-	-	168
CENTRAL POP	1,190	802	691	-	1,301
CINCINNATI POP	160	-	-	-	160
GARFIELD POP	942	-	-	-	942
LINCOLN POP	150	-	-	-	150

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

Account (Continued)	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
LAKEVIEW ACTIVITY	\$ 7,949	11,087	10,691	-	8,345
LAKEVIEW POP	971	-	-	-	971
JUNIOR HIGH ACTIVITY	25,770	16,824	16,723	(196)	25,871
AMERI-CORPS	725	-	95	-	630
APPANOOSE COUNTY ALTERNATIVE HIGH SCHOOL	489	-	-	-	489
PRESCHOOL BUILDING ACTIVITY	151	-	-	-	151
HIGH SCHOOL BIG RED DINER	38	1,214	914	-	338
HIGH SCHOOL YEARBOOK	137	4,559	3,361	515	1,335
HIGH SCHOOL GRADUATION	39	2,460	2,325	176	174
HIGH SCHOOL SCIENCE CLUB	13	-	-	-	13
FCCLA	94	1,093	1,009	-	178
FFA	10,658	25,095	23,634	-	12,119
NATIONAL HONOR SOCIETY	611	1,462	1,548	-	525
HIGH SCHOOL CHEERLEADERS	2,803	9,021	4,643	-	7,181
STUDENT COUNCIL	20,542	24,240	27,908	-	16,874
SOCIAL SCIENCE	289	-	-	-	289
F.B.L.A.	236	1,181	757	-	660
OFFICE EDUCATION	45	-	-	-	45
STUDENT IOWEGIAN	27	-	-	-	27
SPANISH CLUB	959	-	-	-	959
TRAP SHOOTING	332	50	168	-	214
WEIGHT ROOM	414	-	-	-	414
MAT CLUB - WRESTLING	150	-	-	-	150
CLASS OF 2011	1,285	-	-	-	1,285
CLASS OF 2012	873	-	-	-	873
CLASS OF 2013	1,485	-	-	-	1,485
CLASS OF 2014	-	2,870	1,187	-	1,683
ATHLETIC BOOSTER CLUB	25,522	20,961	17,484	-	28,999
LICENSES AND PERMITS	-	174	173	150	1
SCHOOL PROMOTIONS	400	-	-	-	400
INTEREST	-	971	902	(711)	69
TOTALS	\$ 215,963	257,069	239,351	-	233,681

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, SUPPORT TRUST ACCOUNTS

YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RAY MILLER MEMORIAL	\$ 1,763	7	-	1,770
ELGIN MEMORIAL	8,766	38	-	8,804
CLYDENE HINDLEY MEMORIAL	3	-	-	3
RUGGLES MATH AND SCIENCE CENTER	89,560	611	2,814	87,357
CLYDE AND VIRGINIA CARNEY MEMORIAL	9,567	3,830	1,356	12,041
GEORGE AND SHEILA STARCEVICH MEMORIAL	156	1	-	157
KRYSTAL HOWE MEMORIAL	1,885	8	-	1,893
TOM W. KING MEMORIAL	180,831	1,209	-	182,040
BENJAMIN BEAN MEMORIAL	501	3	-	504
IOWA STUDENT LOAN	500	503	-	1,003
DAN DAVIS MEMORIAL	-	1,372	-	1,372
CCS FOUNDATION	-	10,092	-	10,092
TOTALS	\$ 293,532	17,674	4,170	307,036

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS

YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RUBBERMAID SCHOLARSHIP	\$ 1,382	8	250	1,140
ORVILLE BUTLER	1,518	8	-	1,526
CLASS OF 1949	24,088	153	500	23,741
DON WHISLER MEMORIAL SCHOLARSHIP	3,966	35	500	3,501
KENNETH ELGIN SCHOLARSHIP	128,115	843	3,000	125,958
MILTON STOUT SCHOLARSHIP	1,764	11	-	1,775
FCCLA SCHOLARSHIP	518	1	500	19
ROBERT HARL MEMORIAL SCHOLARSHIP	131	-	-	131
HARRY L DUKES MEMORIAL	16	1	-	17
CLASS OF 1958	1,239	7	-	1,246
GOWER-VOXMAN SCHOLARSHIP	2,576	17	-	2,593
DR. F.B. LEFFERT SCHOLARSHIP	26,917	153	400	26,670
VIDAS SCHOLARSHIP	1,082	3	-	1,085
COLLEEN COOK SCHOLARSHIP	72,637	455	1,200	71,892
GERALD FOSTER MEORIAL	20,684	153	2,000	18,837
DANA MIRITZ SCHOLARSHIP	22,682	1,653	400	23,935
CLYDE AND VIRGINIA CARNEY MEMORIAL	45,827	2,427	-	48,254
IA STUDENT LOAN SCHOLARSHIP	500	504	-	1,004
TOTALS	\$ 355,642	6,432	8,750	353,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 5,798,838	5,609,205	5,002,237	4,859,312	5,008,198	5,028,774	4,782,673	4,707,887	4,210,359	3,548,519
Tuition	434,527	364,732	401,054	341,991	375,371	387,318	388,623	431,633	255,975	318,551
Other	628,521	685,819	990,739	700,059	813,063	819,125	1,004,363	739,564	942,469	797,036
Intermediate sources	-	94,062	101,700	94,633	103,956	-	-	-	-	-
State sources	9,025,531	9,044,417	9,193,999	8,543,778	9,374,751	8,764,929	8,301,430	7,929,782	7,828,394	7,731,425
Federal sources	801,612	974,925	1,491,416	1,753,662	846,605	745,151	859,871	1,032,745	949,831	942,686
Total	\$ 16,689,029	16,773,160	17,181,145	16,293,435	16,521,944	15,745,297	15,336,960	14,841,611	14,187,028	13,338,217
Expenditures:										
Instruction:										
Regular	\$ 5,753,853	5,857,885	5,866,268	5,931,468	6,045,534	5,468,317	5,650,425	5,489,650	5,486,876	5,569,309
Special	1,759,689	1,709,296	1,975,683	1,974,553	2,125,759	2,155,219	2,595,201	2,473,743	2,578,875	2,585,388
Other	1,981,171	2,283,850	2,204,980	2,261,720	1,841,721	1,873,705	860,778	890,882	946,480	923,240
Support services:										
Student	480,343	490,406	463,773	469,265	464,385	379,594	366,232	379,001	473,602	455,113
Instructional staff	392,267	435,107	418,747	381,824	334,034	325,223	269,539	419,460	368,937	258,357
Administration	1,513,945	1,547,639	1,608,369	1,492,324	1,594,030	1,493,600	1,497,455	1,283,478	1,035,581	1,052,848
Operation and maintenance of plant	1,003,192	1,032,294	1,255,623	1,251,321	1,344,067	1,460,401	1,492,753	1,316,773	1,286,968	1,235,016
Transportation	505,404	494,981	683,717	693,726	645,995	580,598	582,836	546,251	642,588	561,021
Non-instructional programs				-	-	-	-	13,834	25,978	34,413
Capital outlay	109,838	425,185	507,250	522,960	146,342	858,845	2,336,795	1,034,504	1,975,031	584,523
Long-term debt:										
Principal	1,730,000	502,585	1,103,956	774,353	772,414	699,283	596,595	418,668	222,000	189,000
Interest and other charges	85,911	110,783	152,990	185,984	199,292	244,297	250,448	229,088	155,640	165,683
Other expenditures:										
AEA flow-through	532,868	535,013	601,275	598,651	529,695	507,613	492,942	465,155	464,456	472,458
Total	\$ 15,848,481	15,425,024	16,842,631	16,538,149	16,043,268	16,046,695	16,991,999	14,960,487	15,663,012	14,086,369

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	77,152
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	317,062 *
			<u>394,214</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	353,589
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1071-GC	51,692
TITLE I - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 13	19,980
			<u>425,261</u>
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 13	27,152
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 13	93,375
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 13	8,899
GREAT PRAIRIE AREA EDUCATION AGENCY:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	19,950
SPECIAL EDUCATION - IDEA CLUSTER:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	74,859
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF NATURAL RESOURCES:			
ARRA - AMERICORPS, RECOVERY ACT	94.006	FY 13	\$ 3,500
TOTAL			<u>\$ 1,047,210</u>

* - Includes \$40,004 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

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

We have audited 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 Centerville 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 February 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Centerville 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 Centerville Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Centerville 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 and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

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 II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

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

Members American Institute & Iowa Society of Certified Public Accountants

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.

Centerville Community School District's Responses to Findings

Centerville Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Centerville 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 Centerville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 7, 2014
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Centerville Community School District:

Report on Compliance for Each Major Federal Program

We have audited Centerville Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Centerville Community School District's major federal programs for the year ended June 30, 2013. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Centerville Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Centerville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Centerville Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Centerville Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Centerville Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Centerville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Centerville Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Centerville Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 7, 2014
Newton, Iowa

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program

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

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-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 - Bank reconciliations.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.
- 3) School lunch program - collecting and depositing.

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

Conclusion - Response acknowledged.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2013
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
CFDA Number 84.010: Title I - Schools in Need of Assistance
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

III-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 - Bank reconciliations.
- 2) Computer systems - performing all general accounting functions and controlling all data input and output.
- 3) School lunch program - collecting and depositing.

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

Conclusion - Response acknowledged.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the other expenditures functional area.

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 monitor the expenditures versus certified budget line items in order to amend the official budget per Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

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

Conclusion - Response accepted.

IV-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.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

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

IV-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 0.90.

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

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

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-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.

IV-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

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

IV-L-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.

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		\$	873,414
Statewide sales, services and use tax revenue	\$	1,173,633	
Other local revenue		14,584	1,188,217
			<u>2,061,631</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund		231,103	
Other transfers		4,244	235,347
			<u>235,347</u>
Ending balance		\$	<u>1,826,284</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.