CENTRAL COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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CENTRAL COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education (Before September 2003 Election)	
Christopher Grau	President	2005
Tracy Schroeder	Board Member	2003
Jerry O'Brien	Board Member	2003
Thomas Healy	Board Member	2003
Lori Bouska	Board Member	2004
Gary Helgerson	Board Member	2004
Richard Bahls	Board Member	2005
	Board of Education (After September 2003 Election)	
Christopher Grau	President	2005
Lori Bouska	Board Member	2004
Gary Helgerson	Board Member	(Resigned Oct. 14)
Susan Ruhser	Board Member (Appointed Oct. 27)	2004
Jerry O'Brien	Board Member	(Resigned Feb. 23)
Gregory Hach	Board Member (Appointed Mar. 8)	2004
Richard Bahls	Board Member	2005
Thomas Healy	Board Member	2005
Billy Armstrong	Board Member	2006
	School Officials	
Darwin Winke	Superintendent	2004
Julie Moody	District Secretary	2004
Alan J. Johnson	Treasurer	2004
Stephen D. Saunders	Attorney	2004

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA
124A Main • P.O. Box 359
Elkader, Iowa 52043
(563) 245-2154 • (800) 310-2154

Independent Auditor's Report

To the Board of Education of
Central Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District, Elkader, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Central Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments; Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus;

Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule-Perspective Differences; and Interpretion No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 22, 2004 on our consideration of Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa 52043

December 22, 2004

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

CENTRAL COMMUNITY SCHOOL DISTRICT

400 First Street NW • P.O. Box 70 • Elkader, Iowa 52043

Brian L. Rodenberg
Superintendent
563-245-1750
brodenberg@centralk12.ia.us
Dan J. Yanda
Jr. & Sr. High Principal
563-245-1750
dyanda@centralk12.ia.us
Rick C. Varney
Elementary Principal
563-245-1472
rvarney@centralk12.ia.us

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from $ 4,539,574 in fiscal 2003 to $ 4,496,972 in fiscal 2004, while General Fund expenditures increased from $ 4,585,619 in fiscal 2003 to $ 4,677,712 in fiscal 2004. The District's General Fund balance decreased from $ 207,738 in fiscal 2003 to $ 29,987 in fiscal 2004, an 86% decrease.

The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. As a result, of the decrease in revenues, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

A decline in enrollment during the past three fiscal years, combined with state budget cuts, resulted in state revenues in the General Fund alone decreasing from $ 2,453,253 in fiscal 2003 to $ 2,298,034 in fiscal 2004. Most of this decrease was funded by a $ 119,582 increase in local tax revenue.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central 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 Central 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 Central Community School District acts solely as custodian for the benefit of those outside of the District.

Notes to 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.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

Some funds are required by state law and by bond convenants. The District established 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 the management levy.

The District has three kinds of funds:

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

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

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 government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has on Fiduci-

ary Fund, a 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 fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's net assets at June 30, 2004 compared to June 30, 2003, is provided below.

Condensed Statement of Net Assets
(Expressed in Thousands)

	Government Activities		Business type Activities		Total District		Total Charge
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	$ 3,146	4,223	$ 50	56	$ 3,196	4,279	-25.3%
Capital assets	1,508	1,580	14	21	1,522	1,601	-04.9%
Total assets	4,654	5,803	64	77	4,718	5,880	-19.8%
Long-term liabilities	14	7	-	-	14	7	100.0%
Other liabilities	2,774	3,686	4	4	2,778	3,690	-24.7%
Total liabilities	2,788	3,693	4	4	2,792	3,697	-24.5%
Net assets							
Invested in capital assets	1,508	1,580	14	21	1,522	1,601	-04.9%
Restricted	338	339	-	-	338	339	-00.3%
Unrestricted	20	191	46	52	66	243	-72.8%
Total net assets	$ 1,866	2,110	$ 60	73	$ 1,926	2,183	-11.8%

The District's combined net assets decreased by nearly 12%, or approximately $ 257,000 from the prior year. The largest portion of the Districts net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The restricted net assets decreased approximately $ 1,000.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt convenants, enabling legislation or other legal requirements-decreased approximately $ 177,000, or 73%. This reduction in unrestricted net assets was a result of the District using carryover fund balances to meet its financial obligations during the year.

The following schedule shows the change in net assets for the year ended June 30, 2004.

	Change in Net Assets (Expressed in Thousands)		
	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	$ 382	104	486
Operating grants, contributions and related interest	498	90	588
General revenues:			
Property tax	1,860	-	1,860
Local option sales and service tax	46	-	46
Income tax surtax	139	-	139
Unrestricted state grants	1,958	-	1,958
Unrestricted investment earnings	29	1	30
Other	10	-	10
Total revenues	4,922	195	5,117
Program expenses:			
Governmental activities:			
Instruction	3,302	-	3,302
Support services	1,504	-	1,504
Non-instructional programs	-	207	207
Other expenses	361	-	361
Total expenses	5,167	207	5,374
Change in net assets	$ (245)	(12)	(257)

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were $ 4,922,506 and expenses were $ 5,166,955. In a difficult budget year, the District was forced to use carryover fund balances to balance the budget.

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

	Total and Net Cost of Governmental Activities (Expressed in Thousands)	
	Total Cost of Services	Net Cost of Services
Instruction	$ 3,302	$ 2,621
Support services	1,504	1,487
Other expenses	361	179
Totals	$ 5,167	4,287

The cost financed by users of the District's programs was $ 381,963.

Federal and state governments subsidized certain programs with grants and contributions totaling $ 497,794.

The net cost of governmental activities was financed with $ 2,045,458 in property and other taxes and $ 1,958,128 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were $ 194,271 and expenses were $ 207,347. 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.

During the year ended June 30, 2004, the District increased meal prices which increased charges for services by $ 8,882.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Community School District used 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 a combined fund balance of $ 398,249 well below last year's ending fund balances of $ 561,130.

Governmental Fund Highlights

The District's deteriorating General Fund financial position is the result of many factors. General Fund revenues were stagnant and actually decreased by $ 42,602. This in addition to the District's increase in General Fund expenditures required the District to use carryover fund balances to meet its financial obligations during the year.

The General Fund balance decreased from $ 207,738 to $ 29,987, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.

The Management Levy Fund balance increased from $ 57,593 in fiscal 2003 to $ 76,193 in fiscal 2004. While revenues increased $ 10,166, disbursements increased $ 25,573, much of this due to more employees taking advantage of early retirement.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of $ 146,779 in fiscal 2003 to $ 94,206 in fiscal 2004. While revenues remained approximately the same, the District increased spending from the PPEL Fund by $ 19,599.

The Capital Projects Fund was started this year to account for revenues from local option sales tax. In six months, the District collected $ 46,472.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from $ 72,558 at June 30, 2003 to $ 60,529 at June 30, 2004, representing a decrease of approximately 20%. For fiscal 2004, the District increased meal prices. However, the District's cost increased by $ 26,730. Some of this increased cost was met by federal and state grants.

BUDGETARY HIGHLIGHTS

The District's receipts were $ 300,709 less than budgeted receipts, a variance of 6%. The most significant variance resulted from the District receiving less in state aid 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 due to more money being spent on facilities acquisition.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested $ 1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-

visual equipment and transportation equipment. This represents a net decrease of 4.9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was $ 156,142.

The original cost of the District's capital assets was 3.9 million. Governmental funds account for $ 3.8 million, with the remainder of $ 0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category, which increased by $ 55,653 most of which was due to the purchase of a new bus.

	Capital Assets, net of Dpreciation (expressed in thousands)						
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	$ 100	100	$ -	$ -	$ 100	100	0.0%
Buildings	1,093	1,136	-	-	1,093	1,136	-3.8%
Furniture and equipment	315	344	14	21	329	365	-9.9%
Totals	$ 1,508	1,580	$ 14	21	$ 1,522	1,601	-4.9%

Long-term Debt

At June 30, 2004 the District had $ 40,703 in other long-term debt outstanding. This represents an increase of approximately 32% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Outstanding Long-Term Obligation (expressed in thousands)		
	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
Early retirement	$ 31	21	47.6%
Compensated absences	10	10	0.0%
Total	$ 41	31	32.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has experienced declining enrollment for the past three years and expects that trend to continue.

In response to the continued declining enrollment, the District has decided to close its 4-6 grade facility in Volga City, Iowa and sell the facility to the City for $ 1. It is anticipated that the closing of this facility should reduce expenditures by approximately $ 100,000 in fiscal 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Moody, District Secretary, Central Community School District, 400 First Street NW, Elkader, Iowa 52043

BASIC FINANCIAL STATEMENTS

Exhibit A

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	$ 926,840	0	926,840
Other	399,495	42,229	441,724
Receivables:			
Property tax:			
Delinquent	40,340	0	40,340
Succeeding year	1,766,246	0	1,766,246
Accounts	1,001	0	1,001
Accrued interest:			
ISCAP	4,740	0	4,740
Due from other governments	7,104	0	7,104
Inventories	0	7,325	7,325
Capital assets, net of accumulated depreciation	1,508,023	14,485	1,522,508
TOTAL ASSETS	4,653,789	64,039	4,717,828
LIABILITIES			
Accounts payable	25,155	0	25,155
Salaries and benefits payable	23,434	0	23,434
Deferred revenue:			
Succeeding year property tax	1,766,246	0	1,766,246
Other	0	3,510	3,510
ISCAP warrants payable	925,000	0	925,000
ISCAP accrued interest payable	7,682	0	7,682
Long-term liabilities:			
Portion due within one year:			
Compensated absences	9,931	0	9,931
Early retirement	16,669	0	16,669
Portion due after one year:			
Early retirement	14,103	0	14,103
TOTAL LIABILITIES	2,788,220	3,510	2,791,730
NET ASSETS			
Invested in capital assets, net of related debt	1,508,023	14,485	1,522,508
Restricted for:			
Management levy	45,421	0	45,421
Physical plant and equipment levy	94,206	0	94,206
Other special revenue purposes	197,863	0	197,863
Unrestricted	20,056	46,044	66,100
TOTAL NET ASSETS	$ 1,865,569	60,529	1,926,098

See notes to financial statements.

Exhibit B

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

FUNCTIONS/PROGRAMS:	Expenses	Program Grants: Charges for Service	Program Grants: Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:						
Instruction:						
Regular instruction	$ 2,176,163	195,517	181,094	(1,799,552)	0	(1,799,552)
Special instruction	623,163	23,984	109,826	(489,353)	0	(489,353)
Other instruction	502,563	159,477	10,844	(332,242)	0	(332,242)
	3,301,889	378,978	301,764	(2,621,147)	0	(2,621,147)
Support services:						
Student services	133,093	0	10,960	(122,133)	0	(122,133)
Instructional staff services	179,314	0	1,300	(178,014)	0	(178,014)
Administration services	498,253	0	2,000	(496,268)	0	(496,268)
Operation and maintenance of plant services	357,758	845	0	(356,913)	0	(356,913)
Transportation services	335,920	2,140	0	(333,780)	0	(333,780)
	1,304,353	2,985	14,260	(1,487,108)	0	(1,487,108)
Other expenditures:						
Facilities and acquisition	113,744	0	0	(113,744)	0	(113,744)
AEA flowthrough	181,770	0	181,770	0	0	0
Depreciation (unallocated)	65,199	0	0	(65,199)	0	(65,199)
	360,713	0	181,770	(178,943)	0	(178,943)
Total governmental activities	5,166,955	381,963	497,794	(4,287,198)	0	(4,287,198)
Business type activities:						
Non-instructional programs:						
Food service operations	207,347	103,676	90,595	0	(13,076)	(13,076)
Total	$ 5,374,302	485,639	588,389	(4,287,198)	(13,076)	(4,300,274)
GENERAL REVENUES:						
Property tax levied for:						
General purposes				1,727,860	0	1,727,860
Capital outlay				131,913	0	131,913
Local option sales and service tax				46,472	0	46,472
Income tax surtax				139,213	0	139,213
Unrestricted state grants				1,958,128	0	1,958,128
Unrestricted investment earnings				29,324	502	29,826
Other				9,839	545	10,384
Total general revenues				4,042,749	1,047	4,043,796
Change in net assets				(244,449)	(12,029)	(256,478)
Net assets beginning of year, as restated				2,110,018	72,558	2,182,576
Net assets end of year				$ 1,865,569	60,529	1,926,098

See notes to financial statements.

Exhibt C

CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Special Revenue Management Levy	Nonmajor	Total
ASSETS				
Cash and pooled investments:				
ISCAP	$ 926,840	0	0	926,840
Other	30,191	80,082	289,222	399,495
Receivables:				
Property tax:				
Delinquent	35,665	1,828	2,847	40,340
Subsequent year	1,628,459	95,000	42,787	1,766,246
Accounts	1,001	0	0	1,001
Accrued interest:				
ISCAP	4,740	0	0	4,740
Due from other governments	7,104	0	0	7,104
TOTAL ASSETS	$ 2,634,000	176,910	334,856	3,145,766
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 25,155	0	0	25,155
Salaries and benefits payable	17,717	5,717	0	23,434
ISCAP warrants payable	925,000	0	0	925,000
ISCAP accrued interest payable	7,682	0	0	7,682
Deferred revenue:				
Succeeding year property tax	1,628,459	95,000	42,787	1,766,246
Total liabilities	2,604,013	100,717	42,787	2,747,517
Fund balances:				
Unreserved	29,987	76,193	292,069	398,249
TOTAL LIABILITIES AND FUND BALANCES	$ 2,634,000	176,910	334,856	3,145,766

See notes to financial statements.

Exhibit D

CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds (page 19)	$ 398,249
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in the governmental funds	1,508,023
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore are not reported in the funds	(40,703)
Net assets of governmental activities (page 17)	$ 1,865,569

See notes to financial statements.

Exhibit E

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue Management Levy	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 1,782,852	84,221	178,385	2,045,458
Tuition	188,036	0	0	188,036
Other	72,574	843	155,383	228,800
State sources	2,297,822	83	129	2,298,034
Federal sources	155,688	0	0	155,688
Total revenues	4,496,972	85,147	333,897	4,916,016
Expenditures:				
Current:				
Instruction:				
Regular instruction	2,131,027	40,123	0	2,171,150
Special instruction	620,256	5,576	0	625,832
Other instruction	346,730	0	149,630	496,360
	3,098,013	45,699	149,630	3,293,342
Support services:				
Student services	131,133	0	0	131,133
Instructional staff services	176,439	0	0	176,439
Administration services	489,268	4,065	0	493,333
Operation and maintenance of plant services	342,622	11,360	0	353,982
Transportation services	258,467	5,423	0	263,890
	1,397,929	20,848	0	1,418,777
Other expenditures:				
Facilities acquisition	0	0	188,047	188,047
AEA flowthrough	181,770	0	0	181,770
	181,770	0	188,047	369,817
Total expenditures	4,677,712	66,547	337,677	5,081,936
Excess (deficiency) of revenues over (under) expenditures	(180,740)	18,600	(3,780)	(165,920)
Other financing sources:				
Sales of equipment	2,989	0	0	2,989
Net change in fund balances	(177,751)	18,600	(3,780)	(162,931)
Fund balances beginning of year, as restated (note 10)	207,738	57,593	295,849	561,180
Fund balances end of year	$ 29,987	76,193	292,069	398,249

See notes to financial statements.

Exhibit F

CENTRAL 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, 2004

Net change in fund balances-total governmental funds (page 21)		$ (162,931)
Amounts reported for governmental activities in the Statement of Activities are differant because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$ 77,803	
Depreciation expense	(149,896)	(72,093)
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, as follows:		
Early retirement	(9,580)	
Compensated absences	155	(9,425)
Change in net assets of governmental activities (page 18)		$ (244,449)

See notes to financial statements.

Exhibit G

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	School Nutrition
ASSETS	
Cash	$ 42,229
Inventories	7,325
Capital assets, net of accumulated depreciation	14,485
TOTAL ASSETS	64,039
LIABILITIES	
Deferred revenue	3,510
NET ASSETS	
Invested in capital assets, net of related debt	14,485
Unrestricted	46,044
TOTAL NET ASSETS	$ 60,529

See notes to financial statements.

Exhibit H

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 104,221
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	90,566
Benefits	15,672
Purchased services	3,610
Supplies	91,253
Depreciation	6,246
Total operating expenses	207,347
Operating loss	(103,126)
Non-operating revenues:	
State sources	2,920
Federal sources	87,675
Interest income	502
Total non-operating revenues	91,097
Change in net assets	(12,029)
Net assets beginning of year	72,558
Net assets end of year	$ 60,529

See notes to financial statements.

Exhibit I

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sales of lunches and breakfasts	$ 103,321
Cash paid to employees for services	(106,238)
Cash paid to suppliers for goods or services	(80,864)
Net cash used by operating activities	(83,781)
Cash flows from non-capital financing activities:	
State grants received	2,920
Federal grants received	72,684
Net cash provided by non-capital financing activities	75,604
Cash flows from investing activities:	
Interest on investments	502
Net decrease in cash	(7,675)
Cash beginning of year	49,904
Cash end of year	$ 42,229
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (103,126)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,992
Depreciation	6,246
(Increase) in inventories	(993)
(Decrease) in deferred revenue	(900)
Net cash used by operating activities	$ (83,781)

Non-cash investing capital and financing activities:
During the year ended June 30, 2004, the District received $ 14,992 of federal commodities.

See notes to financial statements.

Exhibit J

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Private Purpose Trust
	Scholarship
ASSETS	
Cash	$ 2,000
LIABILITIES	
None	-
NET ASSETS	
Reserved for scholarships	$ 2,000

See notes to financial statements.

Exhibit K

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	$ 39
Deductions:	
Support services:	
Scholarships awarded	39
Change in net assets	0
Net assets beginning of year	2,000
Net assets end of year	$ 2,000

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades Kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Elkader, Volga City, St. Olaf, Elkport and Garber, Iowa and the predominate agricultural territory of west central Clayton County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

A. Reporting Entity

For financial reporting purposes, Central 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 the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 nonmajor governmental funds.

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 revenues 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 expenditures, including instructional, support and other costs.

The Special Revenue Management Fund is utilized to account for the special property tax levy for insurance and employee benefits.

The District reports the following major 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 fund which focuses on net assets and changes in net assets:

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 revenue to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term

cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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	$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 revenue consists of property tax receivable not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and lunch tickets sold in the current year which will not be used until the following year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay

in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 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.

Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. At year end, the District had no investments subject to risk categorization.

(3) 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 paricipating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trusteee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04B	1/30/04	1/28/05	$ 926,840	4,740	925,000	7,682

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. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrants are invested at the interest-rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.310%

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 100,000	-	-	100,000

	Balance Beginning of Year, as restated (note 10)	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Buildings	2,412,917	22,150	-	2,435,067
Furniture and equipment	1,387,757	55,653	(41,364)	1,402,046
Total capital assets being depreciated	3,800,674	77,803	(41,364)	3,837,113
Less accumulated depreciation for:				
Buildings	1,276,566	65,199	-	1,341,765
Furniture and equipment	1,043,992	84,697	(41,364)	1,087,325
Total accumulated depreciation	2,320,558	149,896	(41,364)	2,429,090
Total capital assets being depreciated, net	1,480,116	(72,093)	-	1,408,023
Governmental activities capital assets, net	$ 1,580,116	(72,093)	-	1,508,023

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	$ 58,116	-	-	58,116
Less accumulated depreciation	37,385	6,246	-	43,631
Business type activities capital assets, net	$ 20,731	(6,246)	-	14,485

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 6,591
Other	1,187
Support services:	
Student	1,960
Administration	583
Operation and maintenance of plant	2,797
Transportation	71,579
	84,697
Unallocated	65,199
Total depreciation expense-governmental activities	$ 149,896
Business type activities:	
Food service operations	$ 6,246

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	$ 21,192	23,643	14,063	30,772	16,669
Compensated absences	10,086	9,931	10,086	9,931	9,931
Total	$ 31,278	33,574	24,149	40,703	26,600

Early Retirement

The District offers two voluntary early retirement plans to its employees. One plan is only for certified employees who have completed ten years of continuous service to the District. The other plan is for all full-time employees between the ages of fifty-five and sixty-five who have at least fifteen years of continuous service to the District. Early retirement benefits under the first plan are based on years of service, unused sick and personal days, and current rates of pay. Under the second plan, an individual is allowed up to a maximum of sixty days pay depending upon the individuals age at retirement. Early retirement benefits paid during the year ended June 30, 2004 totaled $ 40,389.

(6) 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were $ 168,138, $ 167,169 and $ 166,981, respectively, equal to the required contributions for each year.

(7) Risk Management

Central 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 exceeded commercial insurance coverage for the fiscal year ended June 30, 2004 by $ 49,034. This loss was a result of May flooding of the Turkey River. However, Federal and State grants are expected to cover 85% of the District's loss.

(8) 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 $ 181,770 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Related Party Transactions

The District had business transactions totaling $ 1,227 between the District and District employees during the year ended June 30, 2004.

(10) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 32, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present

information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	General	Special Revenue Management	Nonmajor Governmental	Total
Net assets June 30, 2003, as previously reported	$ 197,652	43,530	295,849	537,031
GASB interpretation 6 adjustments	10,086	14,063	0	24,149
Net assets July 1, 2003, as restated for governmental funds	$ 207,738	57,593	295,849	561,180
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of $ 2,320,558				1,580,116
Long-term liabilities:				
Early retirement			21,192	
Compensated absences			10,086	(31,278)
Net assets July 1, 2003, as restated				$ 2,110,018

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budgeted to Actual Variance
Receipts:					
Local sources	$ 2,561,119	103,824	2,565,943	2,643,561	(77,618)
State sources	2,298,210	2,920	2,301,130	2,508,054	(206,924)
Federal sources	159,399	72,684	232,083	248,250	(16,167)
Total receipts	4,919,728	179,428	5,099,156	5,399,865	(300,709)
Disbursements:					
Instruction	3,267,492	0	3,267,492	3,294,144	26,652
Support services	1,408,036	0	1,408,036	1,629,500	221,464
Non-instruction programs	0	187,103	187,103	202,000	14,897
Other expenditures	369,818	0	369,818	323,830	(45,988)
Total disbursements	5,045,346	187,103	5,232,449	5,449,474	217,025
Deficiency of receipts under disbursements	(125,618)	(7,675)	(133,293)	(49,609)	(83,684)
Balances beginning of year	525,113	49,904	575,017	682,680	(107,663)
Balances end of year	$ 399,495	42,229	441,724	633,071	(191,347)

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 4,919,728	(723)	4,919,005
Expenditures	5,045,346	36,590	5,081,936
Net	(125,618)	(37,313)	(162,931)
Beginning fund balances	525,113	36,067	561,180
Ending fund balances	$ 399,495	(1,246)	398,249

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 179,428	15,890	195,318
Expenses	187,103	20,244	207,347
Net	(7,675)	(4,354)	(12,029)
Beginning net assets	49,904	22,654	72,558
Ending net assets	$ 42,229	18,300	60,529

See accompanying independent auditor's report.

Central Community School District

Notes to Required Supplementary Information-Budgetary Reporting

Year ended June 30, 2004

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 cash basis. Encumbrances are not recognized on the cash 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 functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

Schedule 1

CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
ASSETS				
Cash	$ 153,278	91,359	44,585	289,222
Receivables:				
Property tax:				
Delinquent	0	2,847	0	2,847
Succeeding year	0	42,787	0	42,787
TOTAL ASSETS	$ 153,278	136,993	44,585	334,856
LIABILITIES AND FUND EQUITY				
Liabilities:				
Deferred revenue				
Succeeding year property tax	0	42,787	0	42,787
Fund equity:				
Unreserved fund balances	153,278	94,206	44,585	292,069
TOTAL LIABILITIES AND FUND EQUITY	$ 153,278	136,993	44,585	334,856

See accompanying independent auditor's report.

Schedule 2

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

	Special Revenues			
	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	$ 0	131,913	46,472	178,385
Other	153,838	1,545	0	155,383
State sources	0	129	0	129
Total revenues	153,838	133,587	46,472	333,897
Expenditures:				
Current:				
Instruction:				
Other instruction	149,630	0	0	149,630
Other expenditures:				
Facilities acquisition	0	186,160	1,887	188,047
Total expenditures	149,630	186,160	1,887	337,677
Excess (deficiency) of revenues over (under) expenditures	4,208	(52,573)	44,585	(3,780)
Fund balances beginning of year, as restated	149,070	146,779	0	295,849
Fund balances end of year	$ 153,278	94,206	44,585	292,069

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Operations	$ 124,997	17,021	19,374	(4,232)	118,412
Drama	0	1,843	1,843	0	0
Speech	0	605	605	0	0
Music Department Dry Cleaning	(20)	1,482	657	0	805
Vocal Music	0	2,133	2,133	0	0
Instrumental Music	0	2,487	2,487	0	0
Junior High Athletics	(3,290)	0	2,968	3,290	(2,968)
Co-ed Athletics	27,176	38,808	9,762	(27,176)	29,046
Basketball	(9,806)	0	4,996	9,806	(4,996)
Track	(2,283)	0	2,205	2,283	(2,205)
Cross Country	(1,057)	0	806	1,057	(806)
Golf	(1,363)	0	1,061	1,363	(1,061)
Football	(7,066)	0	8,202	7,066	(8,202)
Baseball	(2,300)	0	3,550	2,300	(3,550)
Wrestling	(3,449)	0	2,792	3,449	(2,792)
Volleyball	(2,637)	0	3,637	2,637	(3,637)
Softball	(2,644)	0	2,036	2,644	(2,036)
Cheerleaders	(441)	0	484	441	(484)
Football Club	71	2,322	1,690	0	703
Softball Club	1,038	711	1,800	1	(50)
Basketball Club	1,028	339	652	18	733
Baseball Club	734	1,412	1,343	0	803
FFA	823	0	34	0	789
FCCLA	456	815	1,286	1	(14)
Mentors	0	177	168	0	9
Band Club	(9)	0	0	9	0
National Honor Society	191	385	228	0	348
Elementary Media Club	391	2,131	2,509	0	13
High School Media Club	398	992	1,318	0	72
Yearbook	1,696	8,652	9,125	0	1,223
Music Boosters	0	207	207	0	0
Student Council	(69)	2,061	1,416	69	645
Letterwinners Club	100	4,975	4,951	0	124
Spanish Club	10,716	15,787	11,480	0	15,023
Drama Club	1,078	93	703	0	468
Volleyball Club	373	2,036	2,268	0	141
Cheerleader Club	1,482	1,220	705	0	1,997
Class of 2007	0	471	65	0	406
Class of 2006	1,728	720	725	0	1,723

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Class of 2005	2,286	9,947	10,846	0	1,387
Class of 2004	2,821	276	2,564	0	533
Class of 2003	417	0	163	0	254
Milk/Juice Sales	0	7,287	5,582	(1,492)	213
Soft Drink/ Juice Sales	5,026	23,663	16,265	(3,534)	8,890
Reading is Fundamental	444	1,130	329	0	1,245
Elementary Activities	34	633	625	0	42
Entrepreneurs	0	1,017	985	0	32
Total	$ 149,070	153,838	149,630	0	153,278

See accompanying independent auditor's report.

Schedule 4

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For The Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	$ 2,045,458	1,867,600	1,735,682	1,655,217
Tuition	188,036	187,220	197,926	203,243
Other	228,800	226,894	179,062	225,587
State sources	2,298,034	2,453,253	2,494,804	2,577,884
Federal sources	155,688	180,750	166,683	147,249
Total	$ 4,916,016	4,915,717	4,774,157	4,809,180
Expenditures:				
Instruction:				
Regular instruction	2,171,150	2,118,873	2,115,352	2,167,651
Special instruction	625,832	532,533	496,800	482,674
Other instruction	496,360	510,907	461,603	484,053
Support services:				
Student services	131,133	138,834	131,502	128,856
Instructional staff services	176,439	238,758	249,016	250,659
Administration services	493,333	462,317	480,801	436,431
Operation and maintenance of plant services	353,982	362,433	331,661	342,428
Transportation services	263,890	254,693	300,699	317,334
Central support services	-	-	6,951	-
Other expenditures:				
Facilities acquisition	188,047	166,561	121,916	148,726
AEA flowthrough	181,770	196,260	197,100	204,922
Total	$ 5,081,936	4,982,169	4,893,401	4,963,734

See accompanying independent auditor's report.

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA
124A Main • P.O. Box 359
Elkader, Iowa 52043
(563) 245-2154 • (800) 310-2154

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited the financial statements of Central Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 22, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior statutory comments have all been resolved.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Central Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institue of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses as defined above. There were no matters considered to be material weaknesses in the prior's year report.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Community School District and other parties to whom Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central 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.

Elkader, Iowa

December 22, 2004

Dietz, Donald & Company

Dietz, Donald & Company, CPAs
FEIN 42-1172392

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

A. **Official Depositories** - A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

B. **Certified Budget** - Disbursements for the year ended June 30, 2004 exceeded the amounts budgeted in the other expenditures functional area.

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

Response - We will amend our budget before disbursements exceed the budget.

Conclusion - Response accepted.

C. **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 were noted.

D. **Travel Expenses** - No disbursements 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.

E. **Business Transactions** - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jay Moser, spouse of teacher, owner of Moser Family Pharmacy	Supplies, film and film developing	$ 1,227

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

F. **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.

G. **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

H. **Certified Enrollment** - We noted no variances in the basic enrollment data certified to the Department of Education.

I. **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

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

K. **Request for Proposal** - The District did not send out requests for proposal in accordance with Chapter 11.6 before employing a Certified Public Accountant to conduct your audit.

Recommendation - A minimum of three requests for proposal should be sent out and responses evaluated before engaging a firm to conduct your audit.

Response - We are located in a rural area and are a small District. It has been difficult to get responses to previous requests for proposal since we have a CPA located in Elkader.

Conclusion - Even if responses are not obtained, a minimum of three requests should be sent out.