

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY

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

JUNE 30, 2004

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Central Community Schools of Clinton County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Jim Hand	President	2004
Lois Black	Vice President	2003
Dona Bark	Board Member	2003
Kevin Claeys	Board Member	2004
David Delaney	Board Member	2005

Board of Education (After September 2003 Election)		
Jim Hand	President	2004
Dona Bark	Vice President	2006
Kevin Claeys	Board Member	2004
David Delaney	Board Member	2005
Kurt Rickard	Board Member	2006

School Officials		
Dan Roe	Superintendent	2004
Janice Culbertson	District Secretary and Business Manager	2004
Patti Waack	District Treasurer	2004
Brian Gruhn	Attorney	2004

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

To the Board of Education of the
Central Community Schools of Clinton County:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 that our audit provides a reasonable basis for our opinions.

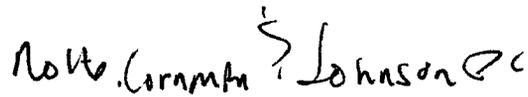
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Central Community Schools of Clinton County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

In accordance with Government Auditing Standards, we have also issued our reports dated September 10, 2004 on our consideration of the Central Community Schools of Clinton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 4 through 14 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Central Community Schools of Clinton County'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 three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.


NOLTE, CORNMAN & JOHNSON, P.C.

September 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Community School of Clinton County 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.

2004 FINANCIAL HIGHLIGHTS

- The State Legislature voted to discontinue the Phase III funding that has been in effect for many years. These funds were used to support the in-service training and updates for our staff. The reduction for Central School is approximately \$33,000. The budget was adjusted to allow for \$27,000 to be used for the purpose during the 2004 fiscal year.
- The Health/Dental Insurance Fund ended the 2003 fiscal year with a very small balance. As a result, the State Insurance Commissioner monitored the fund and indicated that if the balance did not show improvement the District would have to make a transfer from the General Fund to supplement the Health/Dental Insurance Fund. On July 1, 2003, the District changed Third Party Administrators and reduced the fixed costs dramatically. By January the balance was growing. At the end of the year, the balance had improved enough to satisfy the Insurance Commissioner and no transfer was required.
- In November, 2003, Dr. Roe announced his intention to retire at the end of the school year. The Board employed Ray & Assoc. to do the superintendent search. Interviews were held in March. Dr. Carol Hansen was employed to begin July 1, 2004.
- In November, 2003, the School Board authorized an early retirement program. The program would provide for 50% payment of current base salary to be paid to individuals eligible for the plan. The retirement incentive is paid through the Management Fund and would generate savings for the District. Four teachers chose to participate.
- In December, 2003, the Board approved a soccer program, to begin 2004-05, providing there were enough students interested by January 2005. There would be an approximate \$10,000 cost to the General Fund to maintain the program.
- The Central Visions Committee continued to meet monthly to review facility needs. In December, 2003, the committee presented a petition to the Board of Directors which asked for a General Obligation Bond in an amount not to exceed \$9,630,000 to provide funds to build and furnish a new high school building and to improve, remodel, furnish, and repair the middle school and the existing high school to serve upper elementary students and middle school students. The election was held on March 9, 2004. The election received 45.5% approval and did not pass.
- Central Community Schools and Northeast Community Schools jointly were awarded a Carol M. White PE grant totaling \$308,528. The federal funds will be used to enhance the physical education programs in the district by purchasing equipment, installing a low ropes course at the Middle School, and constructing climbing walls in three of the buildings. The staff was able to receive some in-service training with the funds also.
- Central Schools realized a growth in early childhood enrollment. In January 2004, the District hired a second teacher and began a second classroom. The District applied to the SBRC for

authority to offset the increase of approximately \$17,387 for the classroom, but was not successful.

- The Central Community School Board of Education reviewed the option for land purchases. The Visions Committee participated in suggesting locations and in researching the advantage and disadvantages of each parcel of land. On February 12, 2004, the Board voted to purchase 72.94 acres of land located south of the current high school site. On March 22, 2004, the Board voted 2-3 to not purchase the land as previously proposed.
- Track bids were let and accepted for a complete removal of the current track and restoration to an eight-lane track at a cost of \$127,125 to be paid from the PPEL Fund.

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 of Clinton County 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 of Clinton County'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 of Clinton County acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

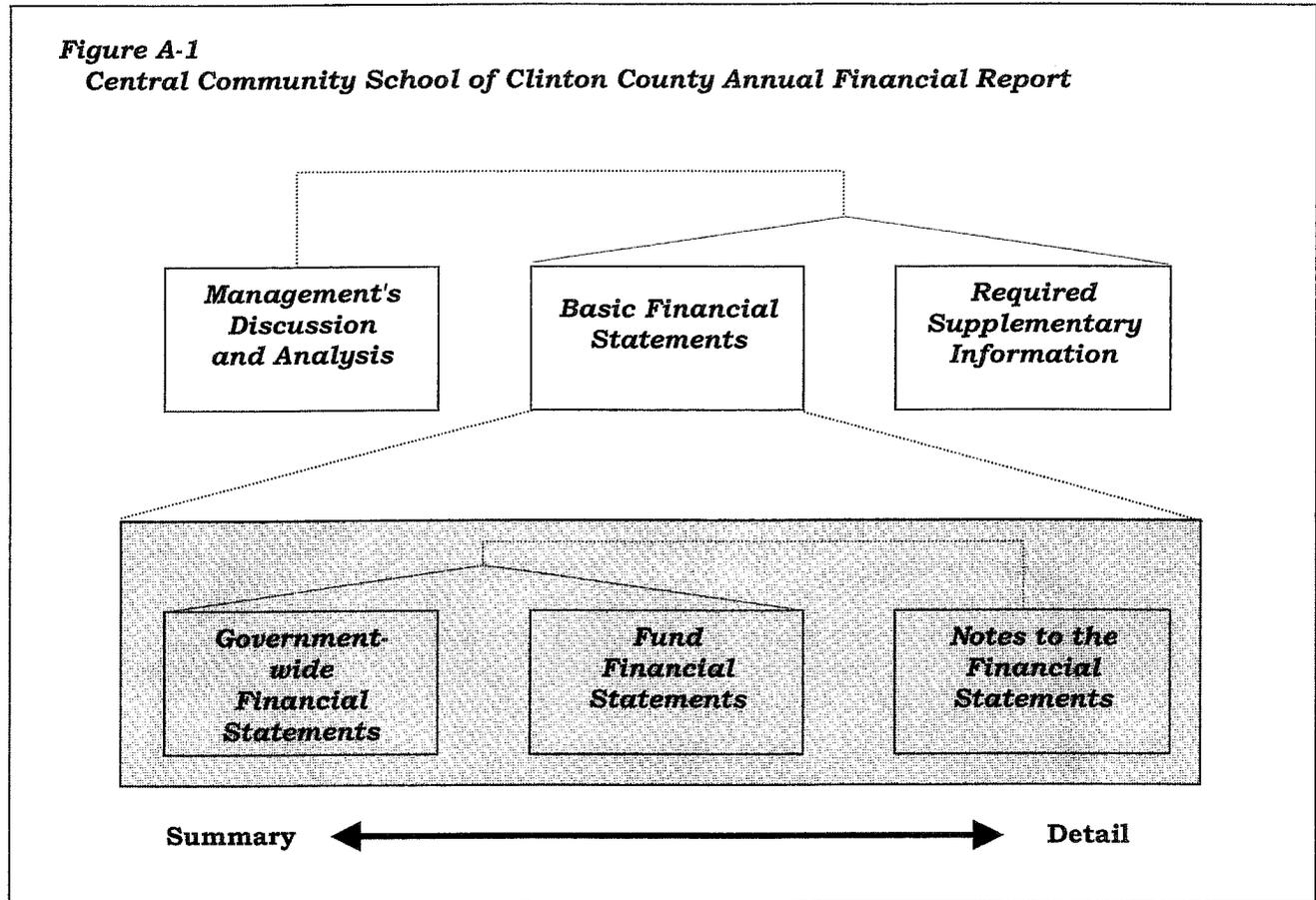


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide 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 changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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.

Over time, increases or decreases in the District's net assets are an indicator of whether its 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 tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise 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 the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenues collected for District employee purchases of pop and related expenditures.

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

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

Reconciliation 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 assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Current and other assets	\$ 7,936,100	10,305,891	33,489	56,100	7,969,589	10,361,991	-23.09%
Capital assets	7,874,603	8,095,025	93,737	103,326	7,968,340	8,198,351	-2.81%
Total assets	15,810,703	18,400,916	127,226	159,426	15,937,929	18,560,342	-14.13%
Long-term obligations	4,613,470	5,120,876	0	0	4,613,470	5,120,876	-9.91%
Other liabilities	2,731,437	5,771,023	6,297	52,371	2,737,734	5,823,394	-52.99%
Total liabilities	7,344,907	10,891,899	6,297	52,371	7,351,204	10,944,270	-32.83%
Net assets:							
Invested in capital assets, net of related debt	5,491,930	2,961,728	93,737	103,326	5,585,667	3,065,054	82.24%
Restricted	749,567	2,124,478	0	0	749,567	2,124,478	-64.72%
Unrestricted	2,224,299	2,422,811	27,192	3,729	2,251,491	2,426,540	-7.21%
Total net assets	\$ 8,465,796	7,509,017	120,929	107,055	8,586,725	7,616,072	12.74%

The District's combined net assets increased by 13% or \$970,653 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$1,374,911 or 65% below the prior year. The decrease was primarily due to reclassifying the Capital Projects Fund to the invested in capital assets net of related debt.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - decreased \$175,049 or nearly 7%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Revenues:							
Program revenues:							
Charges for services	\$ 1,083,777	862,805	418,759	418,901	1,502,536	1,281,706	17.23%
Operating grants and contributions and restricted interest	1,370,811	1,330,606	233,955	246,576	1,604,766	1,577,182	1.75%
General revenues:							
Property tax	5,482,019	5,664,482	0	0	5,482,019	5,664,482	-3.22%
Unrestricted state grants	5,866,426	5,981,894	0	0	5,866,426	5,981,894	-1.93%
Other	84,087	97,240	167	471	84,254	97,711	-13.77%
Total revenues	13,887,120	13,937,027	652,881	665,948	14,540,001	14,602,975	-0.43%
Program expenses:							
Governmental activities:							
Instructional	8,137,168	7,962,621	0	0	8,137,168	7,962,621	2.19%
Support services	3,731,651	3,836,829	0	0	3,731,651	3,836,829	-2.74%
Non-instructional programs	4,127	5,786	639,007	635,702	643,134	641,488	0.26%
Other expenses	1,057,395	2,106,955	0	0	1,057,395	2,106,955	-49.81%
Total expenses	12,930,341	13,912,191	639,007	635,702	13,569,348	14,547,893	-6.73%
Changes in net assets	956,779	24,836	13,874	30,246	970,653	55,082	1662.20%
Net assets beginning of year	7,509,017	7,484,181	107,055	76,809	7,616,072	7,560,990	0.73%
Net assets end of year	8,465,796	7,509,017	120,929	107,055	8,586,725	7,616,072	12.74%

Property tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$13,887,120 and expenses were \$12,930,341.

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.

Figure A-5

	Total and Net Cost of Governmental Activities	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,137,168	6,241,791
Support services	3,731,651	3,644,960
Non-instructional	4,127	4,127
Other expenses	1,057,395	584,875
Totals	\$ 12,930,341	10,475,753

- The cost financed by users of the District's programs was \$1,083,777.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,370,811.

-
- The net cost of governmental activities was financed with \$5,482,019 in local tax, \$5,866,426 in unrestricted state grants, and \$82,587 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$652,881 and expenses were \$639,007. 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 did not increase meal prices. However, they will be increased in the 2005-year by \$.05 for breakfasts, lunches, and adult meals. The increased revenues will be used to replace obsolete kitchen equipment.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Community School of Clinton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,808,717, above last year's ending fund balances of a \$4,436,576. However, the primary reason for the increase was the decreased expenditures in the Capital Projects Fund.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Decrease in local tax and state sources revenue during the year resulted in a decrease in revenues. The decrease in revenues, along with an increase in General Fund expenditures ensured the decrease in the financial position of the District.
- The Capital Projects fund balance increased during the current year, from \$890,945 to \$1,494,400. This was a result of a decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$107,055 at June 30, 2003 to \$120,929 at June 30, 2004, representing an increase of approximately 13%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$334,903 more than budgeted revenues, a variance of 2.3%. The most significant variance resulted from the District receiving more in local taxes than originally anticipated.

Total expenditures were less than budgeted, 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 instruction and support services functional program areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$8 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 2.81% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$421,665.

The original cost of the District's capital assets was \$14,630,689. Governmental funds account for \$14,317,986 with \$312,703 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$295,672 at June 30, 2004, compared to \$266,604 reported at June 30, 2003. This increase resulted from the purchases made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-04
Land	\$ 586,178	586,178	0	0	586,178	586,178	0.00%
Buildings	6,924,474	7,194,907	0	0	6,924,474	7,194,907	-3.76%
Improvements other than buildings	162,016	150,662	0	0	162,016	150,662	7.54%
Machinery and equipment	201,935	163,278	93,737	103,326	295,672	266,604	10.90%
Total	\$ 7,874,603	8,095,025	93,737	103,326	7,968,340	8,198,351	-2.81%

Long-Term Debt

At June 30, 2004, the District had \$2,165,000 in general obligation bonds and \$2,345,000 in revenue bonds outstanding. This represents a decrease of approximately 9.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
General obligation bonds	\$ 2,165,000	2,475,000	-12.5%
Revenue Bonds	2,345,000	2,585,000	-9.3%
Early retirement	99,293	60,876	63.1%
Compensated absences	4,177	0	100.0%
Total	\$ 4,613,470	5,120,876	-9.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State has indicated the allowable growth for the upcoming year will be estimated at 4%. This is a significant increase over the 2% that has been implemented in the past. Since the District has been experiencing a small decline in enrollment, Central has not even been receiving the full 2%. The estimate of 4% will be an improvement over past increases if the enrollment trend remains the same.
- This is the first year the Phase III funding has been cut to schools. Central Community Schools used this funding very carefully and designated its use for only in-service costs and for curriculum development. We have had to adjust budgeting procedures to use Title II money for in-service funding. We did have approximately \$30,000 in carryover in to the 2003-04 school year that did help out for this year. For the 2004-05 year, the funding will be very tight.
- Again we are into a fiscal year where there is no funding for technology from the state as was for five years. The on going costs for upgrades of software, licensing, and networking is a major expense to school districts. We are still seeking ways to fund our needs. Currently, the Title V funds are used for replacing equipment, but that is not adequate.
- For over two years, the district has been working with a citizen's committee, Central Visions Committee, to look at the needs of the district for facilities. The committee came to the board in December 2003 with a petition for a bond election. The election was held in March 2004, but was not successful. The District also looked into purchasing land, but decided, with a vote of 2-3, not to do it at this time. The Board has indicated they would like to work on a five year plan and determine priorities for any building or remodeling.

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 Janice Culbertson, Business Manager, Central Community School of Clinton County, 100 6th Avenue, Dewitt, Iowa, 52742.

BASIC FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,887,170	505	5,887,675
Receivables:			
Property tax:			
Delinquent	146,283	0	146,283
Succeeding year	1,403,520	0	1,403,520
Income surtax	303,484	0	303,484
Accounts	65,807	68	65,875
Due from other governments	129,836	0	129,836
Inventories	0	32,916	32,916
Capital assets, net of accumulated depreciation(Note 5)	7,874,603	93,737	7,968,340
TOTAL ASSETS	15,810,703	127,226	15,937,929
LIABILITIES			
Due to other governments	27,576	0	27,576
Accounts payable	686	0	686
Salaries and benefits payable	1,115,102	0	1,115,102
Incurred but not reported	170,050	0	170,050
Accrued interest payable	14,503	0	14,503
Deferred revenue:			
Succeeding year property tax	1,403,520	0	1,403,520
Other	0	6,297	6,297
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	325,000	0	325,000
Revenue bonds	250,000	0	250,000
Early retirement	59,811	0	59,811
Compensated absences	4,177	0	4,177
Portion due after one year:			
General obligation bonds	1,840,000	0	1,840,000
Revenue bonds	2,095,000	0	2,095,000
Early retirement	39,482	0	39,482
TOTAL LIABILITIES	7,344,907	6,297	7,351,204
NET ASSETS			
Investment in capital assets, net of related debt	5,491,930	93,737	5,585,667
Restricted for:			
Phase III	3,971	0	3,971
Physical plant & equipment levy	365,370	0	365,370
Management levy	197,726	0	197,726
Other special revenue purposes	182,500	0	182,500
Unrestricted	2,224,299	27,192	2,251,491
TOTAL NET ASSETS	\$ 8,465,796	120,929	8,586,725

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 4,793,088	197,261	817,529
Special instruction	2,232,273	225,821	0
Other instruction	1,111,807	654,766	0
	<u>8,137,168</u>	<u>1,077,848</u>	<u>817,529</u>
Support services:			
Student services	498,764	0	0
Instructional staff services	392,582	0	0
Administration services	1,310,041	0	0
Operation and maintenance of plant services	845,572	0	0
Transportation services	600,529	5,929	80,762
Central support services	84,163	0	0
	<u>3,731,651</u>	<u>5,929</u>	<u>80,762</u>
Non-instructional:			
Food service operations	4,127	0	0
Other expenditures:			
Facility acquisitions	147,868	0	0
Long-term debt interest	146,321	0	0
AEA flowthrough	472,520	0	472,520
Depreciation(unallocated)*	290,686	0	0
	<u>1,057,395</u>	<u>0</u>	<u>472,520</u>
Total governmental activities	12,930,341	1,083,777	1,370,811
Business-Type activities:			
Non-instructional programs:			
Nutrition services	639,007	418,759	233,955
Total business-type activities	639,007	418,759	233,955
Total	\$ 13,569,348	1,502,536	1,604,766

General Revenues:

Property tax levied for:
General purposes
Debt services
Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Sale of equipment and materials
Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,778,298)	0	(3,778,298)
(2,006,452)	0	(2,006,452)
(457,041)	0	(457,041)
(6,241,791)	0	(6,241,791)
(498,764)	0	(498,764)
(392,582)	0	(392,582)
(1,310,041)	0	(1,310,041)
(845,572)	0	(845,572)
(513,838)	0	(513,838)
(84,163)	0	(84,163)
(3,644,960)	0	(3,644,960)
(4,127)	0	(4,127)
(147,868)	0	(147,868)
(146,321)	0	(146,321)
0	0	0
(290,686)	0	(290,686)
(584,875)	0	(584,875)
(10,475,753)	0	(10,475,753)
0	13,707	13,707
0	13,707	13,707
(10,475,753)	13,707	(10,462,046)
\$ 3,874,713	0	3,874,713
407,814	0	407,814
329,437	0	329,437
870,055	0	870,055
5,866,426	0	5,866,426
82,587	167	82,754
1,500	0	1,500
11,432,532	167	11,432,699
956,779	13,874	970,653
7,509,017	107,055	7,616,072
\$ 8,465,796	120,929	8,586,725

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,601,657	1,490,367	634,594	931,106	5,657,724
Receivables:					
Property tax					
Delinquent	112,073	4,033	12,836	17,341	146,283
Succeeding year	1,403,520	0	0	0	1,403,520
Income surtax	303,484	0	0	0	303,484
Interfund	104,000	0	0	0	104,000
Accounts	17,284	0	0	792	18,076
Due from other governments	129,836	0	0	0	129,836
TOTAL ASSETS	\$ 4,671,854	1,494,400	647,430	949,239	7,762,923
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	0	0	104,000	104,000
Due to other governments	27,576	0	0	0	27,576
Accounts payable	174	0	0	350	524
Salaries and benefits payable	1,115,102	0	0	0	1,115,102
Deferred revenue:					
Succeeding year property tax	1,403,520	0	0	0	1,403,520
Income surtax	303,484	0	0	0	303,484
Total liabilities	2,849,856	0	0	104,350	2,954,206
Fund balances:					
Reserved for:					
Debt service	0	0	647,430	0	647,430
Phase III	3,971	0	0	0	3,971
Unreserved:					
Undesignated	1,818,027	1,494,400	0	844,889	4,157,316
Total fund balances	1,821,998	1,494,400	647,430	844,889	4,808,717
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,671,854	1,494,400	647,430	949,239	7,762,923

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Total fund balances of governmental funds (page 18)	\$	4,808,717
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		7,874,603
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		303,484
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		106,965
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(14,503)
Long-term liabilities, including bonds payable, compensated absences payable, and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(4,613,470)
Net assets of governmental activities (page 15)	\$	<u>8,465,796</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,660,449	0	407,814	543,701	4,611,964
LCSST	0	870,055	0	0	870,055
Tuition	423,082	0	0	0	423,082
Other	286,493	95,797	24,935	335,134	742,359
Intermediate sources	923	0	0	0	923
State sources	6,854,859	0	314	441	6,855,614
Federal sources	381,623	0	0	0	381,623
Total revenues	11,607,429	965,852	433,063	879,276	13,885,620
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,854,532	0	0	41,138	4,895,670
Special instruction	2,258,272	0	0	0	2,258,272
Other instruction	778,915	0	0	343,033	1,121,948
	7,891,719	0	0	384,171	8,275,890
Support services:					
Student services	511,424	0	0	0	511,424
Instructional staff services	398,076	0	0	0	398,076
Administration services	1,229,353	0	0	99,262	1,328,615
Operation and maintenance of plant services	875,777	0	0	3,858	879,635
Transportation services	604,998	0	0	16,880	621,878
Central support services	85,835	0	0	0	85,835
	3,705,463	0	0	120,000	3,825,463
Non-instructional:					
Food service operations	6,516	0	0	0	6,516
Other expenditures:					
Facilities acquisitions	0	34,740	0	144,735	179,475
Long-term debt:					
Principal	0	0	550,000	0	550,000
Interest and fiscal charges	0	0	205,115	0	205,115
AEA flowthrough	472,520	0	0	0	472,520
	472,520	34,740	755,115	144,735	1,407,110
Total expenditures	12,076,218	34,740	755,115	648,906	13,514,979
Excess (deficiency) of revenues over (under) expenditures	(468,789)	931,112	(322,052)	230,370	370,641
Other financing sources (uses):					
Transfers in	0	0	327,657	0	327,657
Transfers out	0	(327,657)	0	0	(327,657)
Sale of equipment and materials	1,500	0	0	0	1,500
Total other financing sources (uses)	1,500	(327,657)	327,657	0	1,500
Net change in fund balances	(467,289)	603,455	5,605	230,370	372,141
Fund balance beginning of year	2,289,287	890,945	641,825	614,519	4,436,576
Fund balance end of year	\$ 1,821,998	1,494,400	647,430	844,889	4,808,717

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 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 20)	\$	372,141
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets 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 outlays expenditures exceeded depreciation expense in the current year, as follows:		
Capital expenditures	\$ 189,352	
Depreciation expense	(409,774)	(220,422)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		
		550,000
 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.		
		58,794
 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 fund.		
Early retirement	\$ (38,417)	
Compensated absences	(4,177)	(42,594)
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		238,860
Changes in net assets of governmental activities (page 17)	\$	956,779

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and cash equivalents	\$ 505	229,446
Accounts receivable	68	47,731
Inventories	32,916	0
Capital assets, net of accumulated depreciation	93,737	0
TOTAL ASSETS	127,226	277,177
LIABILITIES		
Accounts payable	0	162
Incurred but not reported	0	170,050
Deferred revenues	6,297	0
TOTAL LIABILITES	6,297	170,212
NET ASSETS		
Invested in capital assets, net of related debt	93,737	0
Unrestricted	27,192	106,965
TOTAL NET ASSETS	\$ 120,929	106,965

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Other local sources:		
Sale of lunches and breakfasts:		
Students	\$ 418,689	0
Miscellaneous	70	1,667,686
TOTAL OPERATING REVENUES	418,759	1,667,686
OPERATING EXPENSES:		
Salaries	245,255	0
Benefits	47,742	1,428,826
Services	10,379	0
Supplies	323,602	0
Depreciation	11,891	0
Other	138	0
TOTAL OPERATING EXPENSES	639,007	1,428,826
OPERATING INCOME (LOSS)	(220,248)	238,860
NON-OPERATING REVENUES:		
Interest	167	0
State sources	9,056	0
Federal sources	224,899	0
TOTAL NON-OPERATING REVENUES	234,122	0
Net income	13,874	238,860
Retained earnings at beginning of year	107,055	(131,895)
Retained earnings end of year	\$ 120,929	106,965

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type Activities:	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 417,303	0
Cash received from miscellaneous operating activities	70	1,619,955
Cash payments to employees for services	(331,077)	(1,444,291)
Cash payments to suppliers for goods or services	(280,256)	0
Net cash provided by (used in) operating activities	(193,960)	175,664
Cash flows from non-capital financing activities:		
Repay interfund loan	(6,117)	0
State grants received	9,056	0
Federal grants received	171,614	0
Net cash provided by non-capital financing activities	174,553	0
Cash flows from investing activities:		
Interest on investments	167	0
Net cash provided by investing activities	167	0
Cash flows from capital financing activities:		
Purchase of assets	(2,302)	0
Net cash used in financing activities	(2,302)	0
Net increase (decrease) in cash and cash equivalents	(21,542)	175,664
Cash and cash equivalents at beginning of year	22,047	53,782
Cash and cash equivalents at end of year	\$ 505	229,446
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (220,248)	238,860
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	53,285	0
Depreciation	11,891	0
Decrease in inventories	1,137	0
Increase in accounts receivables	(68)	(47,731)
Decrease in accounts payable	(559)	0
Decrease in salaries and benefits payable	(38,080)	0
Decrease in incurred but not reported	0	(15,465)
Decrease in deferred revenue	(1,318)	0
Net cash provided by (used in) operating activities	\$ (193,960)	175,664
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 505	229,446
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2004, the District received federal commodities valued at \$53,285.		
SEE NOTES TO FINANCIAL STATEMENTS.		

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 21,781
Total assets	<u>21,781</u>
LIABILITIES	
Accounts payable	755
Due to other groups	21,026
Total liabilities	<u>21,781</u>
NET ASSETS	<u>\$ 0</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

The Central Community Schools of Clinton County 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 DeWitt, Iowa, and the predominate agricultural territory in Clinton 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 Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Community Schools of Clinton County has included all funds, organizations, account groups, 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 Central Community Schools of Clinton County 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 Lee County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Agency Fund is used to account for assets held by the District as and agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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 except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 or received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, 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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, expenditures in the instruction and support services functional program areas exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$282,101 pursuant to Rule 2a-7 under the Investment Company Act of 1940. 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. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

The District is in violation of allowable investments by investing in stock, in the Expendable Trust Fund. See also statutory comment IV-I-04.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	PPEL	\$ 104,000

(4) Transfers

The detail of transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 327,657

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 323,583	2,302	13,182	312,703
Less accumulated depreciation	220,257	11,891	13,182	218,966
Business-type activities capital assets, net	\$ 103,326	(9,589)	0	93,737

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 586,178	0	0	586,178
Total capital assets not being depreciated	586,178	0	0	586,178
Capital assets being depreciated:				
Buildings	11,775,041	0	135,415	11,639,626
Land improvements	345,735	31,607	39,702	337,640
Machinery and equipment	1,625,220	157,745	28,423	1,754,542
Total capital assets being depreciated	13,745,996	189,352	203,540	13,731,808
Less accumulated depreciation for:				
Buildings	4,580,134	270,433	135,415	4,715,152
Land improvements	195,073	20,253	39,702	175,624
Machinery and equipment	1,461,942	119,088	28,423	1,552,607
Total accumulated depreciation	6,237,149	409,774	203,540	6,443,383
Total capital assets being depreciated, net	7,508,847	(220,422)	0	7,288,425
Governmental activities capital assets, net \$	8,095,025	(220,422)	0	7,874,603

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,558
Special		1,683
Other		5,882
Support services:		
Administration services		4,072
Operation and maintenance of plant services		2,591
Transportation		101,302
		119,088
Unallocated depreciation		290,686
Total governmental activities depreciation expense		\$ 409,774
Business-type activities:		
Food services		\$ 11,891

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,475,000	0	310,000	2,165,000	325,000
Revenue bonds	2,585,000	0	240,000	2,345,000	250,000
Early retirement	60,876	78,965	40,548	99,293	59,811
Compensated absences	0	4,177	0	4,177	4,177
Total	\$ 5,120,876	83,142	590,548	4,613,470	638,988

General Obligation Bonds Payable

Details of the District's June 30, 2004 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue of August 1, 2001		
	Principal	Interest	Total
2005	\$ 325,000	84,135	409,135
2006	340,000	71,880	411,880
2007	355,000	58,650	413,650
2008	365,000	44,437	409,437
2009	385,000	29,218	414,218
2010	395,000	12,844	407,844
Total	\$ 2,165,000	301,164	2,466,164

Revenue Bonds Payable

Details of the District's June 30, 2004 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of August 1, 2001		
	Principal	Interest	Total
2005	\$ 250,000	97,999	347,999
2006	260,000	86,843	346,843
2007	275,000	75,139	350,139
2008	285,000	62,890	347,890
2009	300,000	50,280	350,280
2010	310,000	37,085	347,085
2011	325,000	22,952	347,952
2012	340,000	7,820	347,820
Total	\$ 2,345,000	441,008	2,786,008

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentives for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2004, totaled \$40,548. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$417,888, \$404,758, and \$378,457, respectively, equal to the required contributions for each year.

(8) Risk Management

The District has a self-funded health, self-funded dental, and self-funded accidental insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was \$106,965 at June 30, 2004. The incurred but not recorded and unpaid claims liability of \$170,050 reported in the plan at June 30, 2004 based on the requirements of GASB Statement Number 10, is set up as a reserve in the fund balance.

In addition, the District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

(9) 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 \$472,520 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.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2004, expenditures in the instruction and support services functional program areas exceeded the amounts budgeted.

REQUIRED SUPPLEMENTAL INFORMATION

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,647,460	418,926
Intermediate sources	923	0
State sources	6,855,614	9,056
Federal sources	381,623	224,899
Total revenues	13,885,620	652,881
Expenditures:		
Instruction	8,275,890	0
Support services	3,825,463	0
Non-instructional programs	6,516	639,007
Other expenditures	1,407,110	0
Total expenditures	13,514,979	639,007
Excess(deficiency) of revenues over(under) expenditures	370,641	13,874
Other financing sources, net	1,500	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures	372,141	13,874
Balance beginning of year	4,436,576	107,055
Balance end of year	\$ 4,808,717	120,929

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
7,066,386	6,062,794	6,062,794	1,003,592
923	0	0	923
6,864,670	7,690,804	7,690,804	(826,134)
606,522	450,000	450,000	156,522
14,538,501	14,203,598	14,203,598	334,903
8,275,890	8,079,000	8,079,000	(196,890)
3,825,463	3,774,247	3,774,247	(51,216)
645,523	1,006,000	1,006,000	360,477
1,407,110	1,566,521	1,566,521	159,411
14,153,986	14,425,768	14,425,768	271,782
384,515	(222,170)	(222,170)	606,685
1,500	0	0	1,500
386,015	(222,170)	(222,170)	608,185
4,543,631	3,656,682	3,656,682	886,949
4,929,646	3,434,512	3,434,512	1,495,134

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
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 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, 2004, expenditures in the instruction and support services functional program areas exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	Total Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 289,929	459,119	82,641	99,417	931,106
Receivables:					
Property tax:					
Current year delinquent	7,090	10,251	0	0	17,341
Accounts	0	0	792	0	792
TOTAL ASSETS	\$ 297,019	469,370	83,433	99,417	949,239
LIABILITIES AND FUND EQUITY					
Liabilities:					
Interfund payable	\$ 0	104,000	0	0	104,000
Accounts payable	0	0	350	0	350
	0	104,000	350	0	104,350
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	297,019	365,370	83,083	99,417	844,889
Total fund balances	297,019	365,370	83,083	99,417	844,889
TOTAL LIABILITIES AND FUND EQUITY	\$ 297,019	469,370	83,433	99,417	949,239

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue Funds				Total Normajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Expendable Trust	
REVENUES:					
Local sources:					
Local tax	\$ 214,264	329,437	0	0	543,701
Other	3,262	3,151	319,995	8,726	335,134
State sources	187	254	0	0	441
TOTAL REVENUES	217,713	332,842	319,995	8,726	879,276
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	41,138	0	0	0	41,138
Other instruction	0	385	336,648	6,000	343,033
	41,138	385	336,648	6,000	384,171
Support services:					
Administration services	98,202	1,060	0	0	99,262
Operation and maintenance of plant services	3,438	420	0	0	3,858
Transportation services	16,880	0	0	0	16,880
	118,520	1,480	0	0	120,000
Other expenditures:					
Facilities acquisition	0	144,735	0	0	144,735
TOTAL EXPENDITURES	159,658	146,600	336,648	6,000	648,906
Excess (deficiency) of revenues over (under) expenditures	58,055	186,242	(16,653)	2,726	230,370
Fund balance beginning of year	238,964	179,128	99,736	96,691	614,519
Fund balance end of year	\$ 297,019	365,370	83,083	99,417	844,889

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity tickets	\$ 1,072	22,025	22,580	517
Deposit errors	1,236	0	1,236	0
Interest	373	335	0	708
MS drama	2,551	151	1,484	1,218
D.A.R.E.	171	322	0	493
MS vocal music	3,675	264	2,582	1,357
MS instrumental music	144	2,781	2,574	351
MS student council	1,053	1,014	1,361	706
MS general athletics	409	300	(85)	794
MS boys basketball	710	90	685	115
MS boys football	67	231	216	82
MS boys track	108	595	200	503
MS cross country	0	0	(45)	45
MS boys wrestling	637	489	1,024	102
MS girls basketball	426	1,210	583	1,053
MS girls volleyball	13	374	356	31
MS girls track	630	347	964	13
MS yearbook	2,721	1,571	1,343	2,949
MS student building project	54	0	(479)	533
MS concessions	4,713	12,206	11,690	5,229
MS resale	15	0	15	0
HS banquets	33	0	0	33
HS drama	5,763	490	676	5,577
HS speech	657	73	643	87
Baseball concessions	0	6,118	5,710	408
HS industrial technology	(1,085)	6,348	6,076	(813)
HS vocal music	3,103	3,704	2,936	3,871
HS instrumental music	21,423	45,187	52,118	14,492
HS musicals	874	1,996	1,230	1,640
HS FFA	2,375	28,071	28,206	2,240
HS food production	250	381	539	92
HS international club	128	0	0	128
HS national honor society	1,614	4,109	4,204	1,519
HS science club	901	0	0	901
HS student council	5,541	12,888	16,252	2,177
HS art club	258	0	0	258
HS SADD	814	209	185	838
HS class of 2003	145	0	145	0
HS class of 2004	1,235	596	1,831	0
HS class of 2005	538	8,519	6,924	2,133
HS class of 2006	131	471	41	561
HS class of 2007	0	155	78	77

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2004

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS general athletics	1,755	12,600	12,122	2,233
HS boys basketball	8,619	12,941	16,410	5,150
HS boys football	10,618	29,942	38,175	2,385
HS boys baseball	88	16,862	16,647	303
HS boys track	207	4,861	4,583	485
HS cross country	1,157	1,141	1,662	636
HS boys golf	44	708	733	19
HS boys wrestling	1,420	5,085	4,376	2,129
HS girls basketball	4,295	4,991	6,817	2,469
HS girls volleyball	46	3,441	3,431	56
HS girls soccer	493	0	493	0
HS girls softball	(88)	6,568	6,701	(221)
HS girls track	86	4,902	4,778	210
HS girls golf	86	1,630	1,709	7
HS yearbook	(486)	21,778	19,141	2,151
HS special ed labor	1,793	0	49	1,744
HS cheerleading	633	4,218	2,942	1,909
HS central sensations dance	(32)	3,815	3,704	79
Ekstrand special olympics	13	1,160	1,060	113
Ekstrand student council	402	2,330	808	1,924
Ekstrand resale	38	3,676	3,714	0
Welton library	772	2,652	2,491	933
Welton student council	2,301	10,535	7,485	5,351
Welton resale	0	539	539	0
Total	\$ 99,736	319,995	336,648	83,083

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
BALANCE SHEET
SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2004

	<u>Paarman</u> <u>Trust</u>
ASSETS	
Cash and pooled investments	\$ 99,417
TOTAL ASSETS	<u>\$ 99,417</u>
LIABILITIES AND FUND EQUITY	
Liabilities:	\$ 0
Fund equity:	
Unreserved, undesignated	99,417
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 99,417</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2004

	Barnes Scholarship	Paarman Trust	Total
REVENUES:			
Local sources:			
Interest on investments	\$ 0	823	823
Contributions and donations	500	0	500
TOTAL REVENUES	500	823	1,323
EXPENDITURES:			
Instruction:			
Other:			
Scholarships	500	5,500	6,000
TOTAL EXPENDITURES	500	5,500	6,000
DEFICIENCY OF REVENUES UNDER EXPENDITURES	0	(4,677)	(4,677)
OTHER FINANCING SOURCES:			
Unrealized gain in market value	0	7,403	7,403
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	0	2,726	2,726
FUND BALANCE BEGINNING OF YEAR	0	96,691	96,691
FUND BALANCE END OF YEAR	\$ 0	99,417	99,417

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2004

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 14,691	106,123	99,033	21,781
LIABILITIES				
Accounts payable	202	755	202	755
Due to other groups	14,489	105,368	98,831	21,026
	\$ 14,691	106,123	99,033	21,781

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 5,482,019	5,360,998	5,072,199	4,238,359
Tuition	423,082	355,520	240,342	239,792
Other	742,359	588,857	778,171	739,101
Intermediate sources	923	8,048	4,137	16,636
State sources	6,855,614	7,003,749	6,868,394	7,073,379
Federal sources	381,623	300,703	273,124	331,999
Total	\$ 13,885,620	13,617,875	13,236,367	12,639,266
Expenditures:				
Instruction:				
Regular instruction	\$ 4,895,670	4,746,638	4,580,062	4,369,300
Special instruction	2,258,272	2,091,897	2,079,090	1,915,020
Other instruction	1,121,948	980,180	1,034,491	908,428
Support services:				
Student services	511,424	460,749	446,474	450,284
Instructional staff services	398,076	384,842	403,092	425,345
Administration services	1,328,615	1,273,183	1,259,725	1,174,641
Operation and maintenance of plant services	879,635	890,164	830,485	864,494
Transportation services	621,878	609,312	693,794	686,180
Other	85,835	80,959	77,756	74,563
Non-instructional	6,516	4,172	0	35,512
Other expenditures:				
Facilities acquisitions	179,475	1,374,484	1,946,277	198,385
Long Term Debt:				
Principal	550,000	430,000	300,000	250,000
Interest	205,115	222,374	210,741	158,134
AEA flow-through	472,520	503,865	503,191	505,922
Total	\$ 13,514,979	14,052,819	14,365,178	12,016,208

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 04	\$ 53,285
TEAM NUTRITION GRANT	10.574	FY 02	165
SCHOOL NUTRITION CLUSTER PROGRAMS:			
USDA FRUIT AND VEGATABLE GRANT	10.555	FY 04	10,874
SCHOOL BREAKFAST PROGRAM	10.553	FY 04	29,148
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 04	136,491
			<u>176,513</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1082-G	112,346
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 04	9,093
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	5,428
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 03	10,464
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 04	19,133
			<u>29,597</u>
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 04	108,296
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 03	9,750

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 04	1,731
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 02	1,032
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)	84.027	FY 03	4,848
			5,880
STAR SCHOOLS	84.203	FY 03	1,997
DATA DRIVEN LEADERSHIP	84.348	FY 04	3,600
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 04	65,087
TOTAL			\$ 582,768

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Community Schools of Clinton County 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 general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Central Community Schools of Clinton County:

We have audited the financial statements of Central Community Schools of Clinton County as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 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 Schools of Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 year statutory comments have all been resolved, except IV-B-04 and IV-I-04.

Internal Control Over Financial Reporting

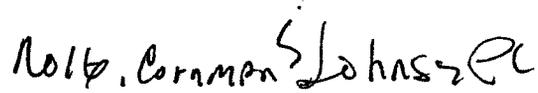
In planning and performing our audit, we considered Central Community Schools of Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs.

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. Our

consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have all been resolved, except I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Community Schools of Clinton County and other parties to whom Central Community Schools of Clinton County 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 Schools of Clinton County 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.

September 10, 2004

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 Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education of
Central Community Schools of Clinton County

Compliance

We have audited the compliance of Central Community Schools of Clinton County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Central Community Schools of Clinton County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Community Schools of Clinton County's management. Our responsibility is to express an opinion on Central Community Schools of Clinton County's compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Central Community Schools of Clinton County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Community Schools of Clinton County's compliance with those requirements.

In our opinion, Central Community Schools of Clinton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

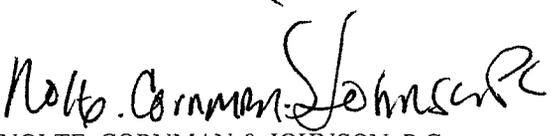
The management of Central Community Schools of Clinton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Community Schools of Clinton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 non-compliance with applicable requirements of laws, regulations,

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contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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



NOLTE, CORNMAN & JOHNSON, P.C.

September 10, 2004

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.555 - USDA Fruit and Vegetable Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Community Schools of Clinton County qualified as a low-risk auditee.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person in the Student Activity fund.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting

IV-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - District expenditures for the year ended June 30, 2004 exceeded the amounts budgeted in the instruction and support services functional program areas.

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 estimate our expenditures prior to the end of the school year and amend as needed.

Conclusion - Response accepted.

IV-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 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-E-04 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rogena Owens, Teacher Spouse owns DeWitt Cleaners	Cleaning uniforms	\$176
Rogena Owens, Teacher Spouse owns Men's Corner	Cleaning uniforms	279
Trish Thayer, teacher Spouse is manager of The Office Center	Office equipment and supplies	32,036
Diane and William Prichard, teachers Owners of Opera house Theatre	Rent	1,286
Madonna Schlotfeldt, food service	Baked cakes for reception	196
Bev Bousselot, teacher Spouse is co-owner of Scott Drugstore	Film and supplies	1,242
Rodney Wold, bus driver Owner of Wold's Petro Shop	Tire repairs	30

In accordance with the Attorney General's opinion dated November 9, 1976, above transactions with the spouses of the District's employees do not appear to represent a conflict of interest.

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

- IV-F-04 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-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-04 Deposits and Investments - We noted during our audit that the Paarman Trust, which is being managed by the Central Education Foundation, has investment in stocks. Stocks are not an allowable investment option for school districts. Even though the foundation is managing the investment, the investment must be allowable to the school district. Chapter 12B and Chapter 12C of the Code of Iowa identifies the investments allowable, as also reflected in Note 2 of the financial statement. The first priority of the investment is safety of principal.

Recommendation - The District should sell all stock and reinvest proceeds in allowable investments. The District should review their investment policy and communicate the policy to any people responsible for investment decisions.

Response - We will comply.

Conclusion - Response accepted.

- IV-J-04 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.