

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY

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

JUNE 30, 2005

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Central Community Schools of Clinton County  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2004 Election)</b>		
Jim Hand	President	2004
Dona Bark	Vice President	2006
Kevin Claeys	Board Member	2004
David Delaney	Board Member	2005
Kurt Rickard	Board Member	2006
<b>Board of Education (After September 2004 Election)</b>		
Dona Bark	President	2006
Kurt Rickard	Vice President	2006
David Delaney	Board Member	2005
Dennis Campbell	Board Member	2007
James Irwin, Jr.	Board Member	2007
<b>School Officials</b>		
Dr. Carol Hansen	Superintendent	2005
Janice Culbertson	District Secretary and Business Manager	2005
Patti Waack	District Treasurer	2005
Brian Gruhn	Attorney	2005

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Community Schools of Clinton County, DeWitt, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

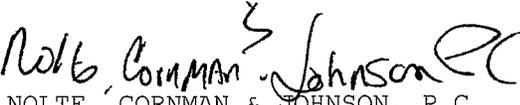
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Central Community Schools of Clinton County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 13, 2005 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 agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming 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, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary 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, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 13, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- The State Legislature urges school districts to provide adequate professional development for staff. They have terminated the funding for Phase III which was the source for inservice funds in this district. The budget was adjusted to allow for \$27,000 to be used for this purpose during the FY05 year.
- The Health/Dental Insurance fund ended FY05 with a balance of \$150,400.31. This balance is less than the beginning July 1, 2004 balance. After an actuary review, the rates were increased an average of 10% for 2005-06. The State Insurance Commissioner is advising Central Community School District to carry a larger balance.
- Dr. Carol Hansen was employed as superintendent to begin July 1, 2004. One of the first tasks at hand was to hire a high school principal. Mr. Brad Oates was employed to begin August 1, 2004.
- In November, 2004, 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. Two teachers and three administrators chose to participate.
- In 2004-05, the Board implemented a soccer program. A total of \$10,000 was budgeted for this program. After the students had the opportunity to sign up for the program, it was realized there would need to be two assistant coaches employed due to the large numbers of participants. Additional allowable growth was requested from the School Budget Review Committee but was denied.
- Dr. Hansen organized a Five Year Planning Committee to work on setting goals for the district for the next five years. Over 70 patrons and employees participated in meetings throughout the second semester of the school year. A clear five year plan was adopted by the Board of Education on April 4, 2005 and is now posted on the school's web site for patrons to follow the progress.
- The Central Community School Board of Education was the recipient of a donation of approximately 44 acres of land from Charles and JoAnn Harrington. The land is located west of Highway 61 on Highway 30. In order to finalize the donation, the Central Community Schools will need to build a type of school facility on the land. The Five Year Planning Committee is working on future plans to include this.
- By a vote of the Board of Education, the Instructional Support Program for Central Community Schools was extended an additional five years.

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- Central Community School Board of Education voted to close the Welton Elementary School. The decision was very difficult but was determined to be necessary with the declining enrollment realized over the past few years. Along with the closing, was the regretful task of reduction of staff. A total of 2 secretaries, 1 part time custodian, 1 part time elementary librarian, 1 administrator, 5 teachers, 7 teacher aides, and 2 food service positions. These positions plus the cost of maintenance/utilities budgeted for Welton total approximately \$648,000 savings to the 2005-06 school budget.

## **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.

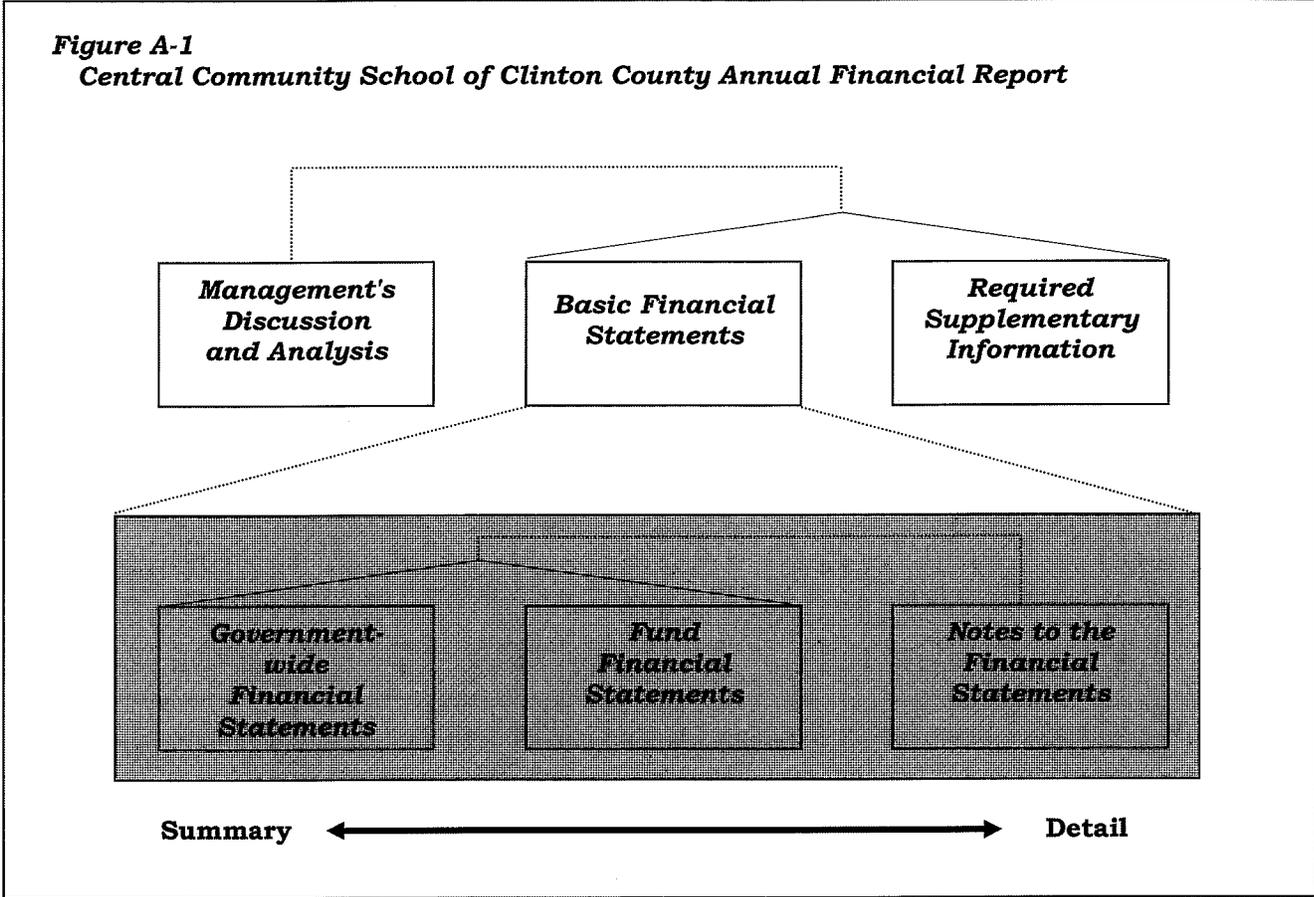


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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

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## 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.

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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 District's internal service funds, one type of proprietary fund, are the same as governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

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 Agency Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain revenues collected for the PTO, Sabertooth, and Flex funds.

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, 2005 compared to June 30, 2004.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 11,006,014	7,936,100	28,917	33,489	11,034,931	7,969,589	38.46%
Capital assets	8,038,239	7,874,603	88,918	93,737	8,127,157	7,968,340	1.99%
Total assets	19,044,253	15,810,703	117,835	127,226	19,162,088	15,937,929	20.23%
Long-term obligations	4,093,210	4,613,470	4,100	0	4,097,310	4,613,470	-11.19%
Other liabilities	5,824,233	2,731,437	11,358	6,297	5,835,591	2,737,734	113.15%
Total liabilities	9,917,443	7,344,907	15,458	6,297	9,932,901	7,351,204	35.12%
Net assets:							
Invested in capital assets, net of related debt	6,932,803	5,491,930	88,918	93,737	7,021,721	5,585,667	25.71%
Restricted	646,167	749,567	0	0	646,167	749,567	-13.79%
Unrestricted	1,547,840	2,224,299	13,459	27,192	1,561,299	2,251,491	-30.65%
Total net assets	\$ 9,126,810	8,465,796	102,377	120,929	9,229,187	8,586,725	7.48%

The District's combined net assets increased by 7.48% or \$642,462 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 \$103,400 or 13.79% below the prior year. The decrease was primarily due to the increase in Early Retirement liabilities reducing the restricted Management Levy Fund balance.

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 \$690,192 or 30.65%. This decrease 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, 2005 compared to June 30, 2004.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 919,207	1,083,777	421,233	418,759	1,340,440	1,502,536	-10.79%
Operating grants and contributions and restricted interest	1,318,042	1,370,811	248,339	233,955	1,566,381	1,604,766	-2.39%
Capital grants and contributions and restricted interest	5,000	0	0	0	5,000	0	100.00%
<b>General revenues:</b>							
Property tax	4,389,893	4,611,964	0	0	4,389,893	4,611,964	-4.82%
Local option sales and services tax	1,056,985	870,055	0	0	1,056,985	870,055	21.48%
Unrestricted state grants	6,114,176	5,866,426	0	0	6,114,176	5,866,426	4.22%
Other	77,451	84,087	116	167	77,567	84,254	-7.94%
<b>Total revenues</b>	<b>13,880,754</b>	<b>13,887,120</b>	<b>669,688</b>	<b>652,881</b>	<b>14,550,442</b>	<b>14,540,001</b>	<b>0.07%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	7,961,097	8,137,168	0	0	7,961,097	8,137,168	-2.16%
Support services	4,173,681	3,731,651	0	0	4,173,681	3,731,651	11.85%
Non-instructional programs	3,033	4,127	689,114	639,007	692,147	643,134	7.62%
Other expenses	1,081,929	1,057,395	0	0	1,081,929	1,057,395	2.32%
<b>Total expenses</b>	<b>13,219,740</b>	<b>12,930,341</b>	<b>689,114</b>	<b>639,007</b>	<b>13,908,854</b>	<b>13,569,348</b>	<b>2.50%</b>
Changes in net assets before capital contributions	661,014	956,779	(19,426)	13,874	641,588	970,653	-33.90%
<b>Other financing sources:</b>							
Capital Contributions	0	0	874	0	874	0	100.00%
Changes in net assets	661,014	956,779	(18,552)	13,874	642,462	970,653	-33.81%
Net assets beginning of year	8,465,796	7,509,017	120,929	107,055	8,586,725	7,616,072	12.74%
Net assets end of year	\$ 9,126,810	8,465,796	102,377	120,929	9,229,187	8,586,725	7.48%

Property tax, local option sales and services tax and unrestricted state grants account for 79% 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 \$13,880,754 and expenses were \$13,219,740.

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	\$ 7,961,097	6,276,824
Support services	4,173,681	4,093,929
Non- instructional	3,033	3,033
Other expenses	1,081,929	603,705
Totals	<u>\$ 13,219,740</u>	<u>10,977,491</u>

- The cost financed by users of the District’s programs was \$919,207.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,323,042.
- The net cost of governmental activities was financed with \$4,389,893 in property tax, \$1,056,985 in local option sales and services tax, \$6,114,176 in unrestricted state grants, \$74,760 in interest income and \$2,691 in gain on sale of equipment.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$669,698 and expenses were \$689,114. 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, 2005, the District did increase meal prices. The meal prices will be increased for FY06 by \$.05 for breakfasts, lunches, and adult meals. Again, the District will be obligating those increased revenues for replacement of 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 \$5,018,411, above last year’s ending fund balances of a \$4,808,717. However, the primary reason for the increase was the increased local option sales tax received 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 federal 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 \$1,494,400 to \$2,241,376. This was a result of an increase in local option sales and services tax.
- The Debt Service fund balance decreased during the current year, from \$647,430 to \$646,964. This was a result of anticipated bond principal and interest payments.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$120,929 at June 30, 2004 to \$102,377 at June 30, 2005, representing a decrease of 15.34%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$559,949 more than budgeted revenues, a variance of 4.00%. The most significant variance resulted from the District receiving more in local sources 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.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, 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 increase of 1.99% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$412,393.

The original cost of the District's capital assets was \$15,156,317. Governmental funds account for \$14,842,740 with \$313,577 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,701,450 at June 30, 2005, compared to \$6,924,474 reported at June 30, 2004. This decrease resulted from current year depreciation expense.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		
2005	2004	2005	2004	2005	2004	2004-05	
Land	\$ 586,178	586,178	0	0	586,178	586,178	0.00%
Buildings	6,701,450	6,924,474	0	0	6,701,450	6,924,474	-3.22%
Land improvements	327,784	162,016	0	0	327,784	162,016	102.32%
Machinery and equipment	422,827	201,935	88,918	93,737	511,745	295,672	73.08%
Total	\$ 8,038,239	7,874,603	88,918	93,737	8,127,157	7,968,340	1.99%

### Long-Term Debt

At June 30, 2005, the District had \$4,097,310 in general obligation and other long-term debt outstanding. This represents a decrease of 11.2% 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
	2005	2004	
General obligation bonds	\$ 1,840,000	2,165,000	-15.0%
Revenue Bonds	2,095,000	2,345,000	-10.7%
Nutrition loan	4,100	0	100.0%
Early retirement	149,064	99,293	50.1%
Compensated absences	9,146	4,177	119.0%
<b>Total</b>	<b>\$ 4,097,310</b>	<b>4,613,470</b>	<b>-11.2%</b>

## **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%. Since the District has been experiencing a small decline in enrollment, Central received 1.5% in new money calculations. The 4% announced allowable growth for FY06 will not be adequate if our enrollment declines another year.
- Central Community Schools has used the Phase III funding very carefully and designated its use for only inservice costs and for curriculum development. We have had to adjust budgeting procedures to use Title II money for inservice funding since the Phase III funding has been cut. We did have approximately \$30,000 in carryover in to the 2003-04 school year but there was no carryover funds for the 2004-05 year.
- 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.
- The Five Year Planning Committee has suggested amending the language for the 1¢ sales tax to allow for technology purchases. That will be researched again in 2005-06.
- The Five Year Planning Committee has established goals for the district of the next five years. As a result an architect has been employed to determine the priority needs of the district for facilities. The challenge for the future will be to implement the recommendations as can be funded and supported by the patrons and staff.

## **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, Administrative Offices, 100 6<sup>th</sup> Avenue, Dewitt, Iowa, 52742.

BASIC FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 5,983,864	4,308	5,988,172
Receivables:			
Property tax:			
Delinquent	81,543	0	81,543
Succeeding year	4,197,150	0	4,197,150
Income surtax	303,484	0	303,484
Interfund	108,434	0	108,434
Accounts	21,970	0	21,970
Due from other governments	309,569	0	309,569
Inventories	0	24,609	24,609
Capital assets, net of accumulated depreciation (Note 5)	8,038,239	88,918	8,127,157
<b>TOTAL ASSETS</b>	<b>19,044,253</b>	<b>117,835</b>	<b>19,162,088</b>
<b>LIABILITIES</b>			
Interfund payable	104,000	4,434	108,434
Accounts payable	38,596	70	38,666
Salaries and benefits payable	1,193,973	0	1,193,973
Incurred but not reported	231,738	0	231,738
Interest payable	58,776	0	58,776
Deferred revenue:			
Succeeding year property tax	4,197,150	0	4,197,150
Other	0	6,854	6,854
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds	340,000	0	340,000
Revenue bonds	260,000	0	260,000
Nutrition loan	0	4,100	4,100
Early retirement	94,273	0	94,273
Compensated absences	9,146	0	9,146
Portion due after one year:			
General obligation bonds	1,500,000	0	1,500,000
Revenue bonds	1,835,000	0	1,835,000
Early retirement	54,791	0	54,791
<b>TOTAL LIABILITIES</b>	<b>9,917,443</b>	<b>15,458</b>	<b>9,932,901</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	6,932,803	88,918	7,021,721
Restricted for:			
Physical plant and equipment levy	331,000	0	331,000
Management levy	155,968	0	155,968
Other special revenue purposes	159,199	0	159,199
Unrestricted	1,547,840	13,459	1,561,299
<b>TOTAL NET ASSETS</b>	<b>\$ 9,126,810</b>	<b>102,377</b>	<b>9,229,187</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 4,629,129	151,060	691,741	0
Special instruction	2,237,125	219,419	83,616	0
Other instruction	1,094,843	538,437	0	0
	<u>7,961,097</u>	<u>908,916</u>	<u>775,357</u>	<u>0</u>
<b>Support services:</b>				
Student services	553,103	0	0	0
Instructional staff services	402,345	0	0	0
Administration services	1,500,694	0	0	0
Operation and maintenance of plant services	972,810	0	0	0
Transportation services	744,729	10,291	69,461	0
	<u>4,173,681</u>	<u>10,291</u>	<u>69,461</u>	<u>0</u>
<b>Non-instructional:</b>				
Food service operations	3,033	0	0	0
<b>Other expenditures:</b>				
Facility acquisitions	74,335	0	0	5,000
Long-term debt interest	227,157	0	0	0
AEA flowthrough	473,224	0	473,224	0
Depreciation (unallocated)*	307,213	0	0	0
	<u>1,081,929</u>	<u>0</u>	<u>473,224</u>	<u>5,000</u>
<b>Total governmental activities</b>	<b>13,219,740</b>	<b>919,207</b>	<b>1,318,042</b>	<b>5,000</b>
<b>Business-Type activities:</b>				
<b>Non-instructional programs:</b>				
Nutrition services	689,114	421,233	248,339	0
<b>Total business-type activities</b>	<b>689,114</b>	<b>421,233</b>	<b>248,339</b>	<b>0</b>
<b>Total</b>	<b>\$ 13,908,854</b>	<b>1,340,440</b>	<b>1,566,381</b>	<b>5,000</b>

**General Revenues:**

Property tax levied for:
General purposes
Debt services
Capital outlay
Local option sales and service tax
Unrestricted state grants
Unrestricted investment earnings
Gain on sale of equipment
<b>Total general revenues</b>

Changes in net assets before capital contributions

**Other Financing Sources:**

Capital contributions

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 BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(3,786,328)	0	(3,786,328)
(1,934,090)	0	(1,934,090)
(556,406)	0	(556,406)
<u>(6,276,824)</u>	<u>0</u>	<u>(6,276,824)</u>
(553,103)	0	(553,103)
(402,345)	0	(402,345)
(1,500,694)	0	(1,500,694)
(972,810)	0	(972,810)
(664,977)	0	(664,977)
<u>(4,093,929)</u>	<u>0</u>	<u>(4,093,929)</u>
<u>(3,033)</u>	<u>0</u>	<u>(3,033)</u>
(69,335)	0	(69,335)
(227,157)	0	(227,157)
0	0	0
(307,213)	0	(307,213)
<u>(603,705)</u>	<u>0</u>	<u>(603,705)</u>
(10,977,491)	0	(10,977,491)
0	(19,542)	(19,542)
<u>0</u>	<u>(19,542)</u>	<u>(19,542)</u>
<u>(10,977,491)</u>	<u>(19,542)</u>	<u>(10,997,033)</u>
\$ 3,671,265	0	3,671,265
401,555	0	401,555
317,073	0	317,073
1,056,985	0	1,056,985
6,114,176	0	6,114,176
74,760	116	74,876
2,691	0	2,691
<u>11,638,505</u>	<u>116</u>	<u>11,638,621</u>
661,014	(19,426)	641,588
0	874	874
<u>661,014</u>	<u>(18,552)</u>	<u>642,462</u>
8,465,796	120,929	8,586,725
<u>\$ 9,126,810</u>	<u>102,377</u>	<u>9,229,187</u>

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 2,187,576	2,109,162	639,375	897,351	5,833,464
Receivables:					
Property tax					
Delinquent	63,937	0	7,589	10,017	81,543
Succeeding year	3,270,413	0	400,000	526,737	4,197,150
Income surtax	303,484	0	0	0	303,484
Interfund	108,434	0	0	0	108,434
Accounts	21,605	0	0	365	21,970
Due from other governments	177,355	132,214	0	0	309,569
<b>TOTAL ASSETS</b>	<b>\$ 6,132,804</b>	<b>2,241,376</b>	<b>1,046,964</b>	<b>1,434,470</b>	<b>10,855,614</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund payable	\$ 0	0	0	104,000	104,000
Accounts payable	30,094	0	0	8,502	38,596
Salaries and benefits payable	1,193,973	0	0	0	1,193,973
Deferred revenue:					
Succeeding year property tax	3,270,413	0	400,000	526,737	4,197,150
Income surtax	303,484	0	0	0	303,484
<b>Total liabilities</b>	<b>4,797,964</b>	<b>0</b>	<b>400,000</b>	<b>639,239</b>	<b>5,837,203</b>
<b>Fund balances:</b>					
Reserved for:					
Debt service	0	0	646,964	0	646,964
Unreserved:					
Undesignated	1,334,840	2,241,376	0	795,231	4,371,447
<b>Total fund balances</b>	<b>1,334,840</b>	<b>2,241,376</b>	<b>646,964</b>	<b>795,231</b>	<b>5,018,411</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,132,804</b>	<b>2,241,376</b>	<b>1,046,964</b>	<b>1,434,470</b>	<b>10,855,614</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

<b>Total fund balances of governmental funds (page 18)</b>	\$ 5,018,411
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,038,239
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.	(81,338)
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.	(58,776)
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.	<u>(4,093,210)</u>
<b>Net assets of governmental activities (page 15)</b>	<u><u>\$ 9,126,810</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 3,475,556	1,056,985	401,555	512,782	5,446,878
Tuition	370,479	0	0	0	370,479
Other	330,803	44,214	2,708	251,263	628,988
Intermediate sources	6,847	0	0	0	6,847
State sources	7,095,155	0	323	432	7,095,910
Federal sources	328,961	0	0	0	328,961
Total revenues	11,607,801	1,101,199	404,586	764,477	13,878,063
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	4,778,849	0	0	65,442	4,844,291
Special instruction	2,194,872	0	0	0	2,194,872
Other instruction	827,552	0	0	258,568	1,086,120
	7,801,273	0	0	324,010	8,125,283
Support services:					
Student services	523,889	0	0	0	523,889
Instructional staff services	397,983	0	0	0	397,983
Administration services	1,301,817	200	0	107,475	1,409,492
Operation and maintenance of plant services	968,578	0	0	1,057	969,635
Transportation services	629,750	0	0	21,292	651,042
	3,822,017	200	0	129,824	3,952,041
Non-instructional:					
Food service operations	1,136	0	0	0	1,136
Other expenditures:					
Facilities acquisitions	0	1,191	0	360,301	361,492
Long-term debt:					
Principal	0	0	575,000	0	575,000
Interest and fiscal charges	0	0	182,884	0	182,884
AEA flowthrough	473,224	0	0	0	473,224
	473,224	1,191	757,884	360,301	1,592,600
Total expenditures	12,097,650	1,391	757,884	814,135	13,671,060
Excess(deficiency) of revenues over(under) expenditures	(489,849)	1,099,808	(353,298)	(49,658)	207,003
Other financing sources(uses):					
Transfers in	0	0	352,832	0	352,832
Transfers out	0	(352,832)	0	0	(352,832)
Sale of equipment	2,691	0	0	0	2,691
Total other financing sources(uses)	2,691	(352,832)	352,832	0	2,691
Net change in fund balances	(487,158)	746,976	(466)	(49,658)	209,694
Fund balance beginning of year	1,821,998	1,494,400	647,430	844,889	4,808,717
Fund balance end of year	\$ 1,334,840	2,241,376	646,964	795,231	5,018,411

SEE NOTES TO BASIC 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, 2005

Net change in fund balances - total governmental funds (page 20)	\$	209,694
 <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	\$ 570,336	
Depreciation expense	<u>(406,700)</u>	163,636
 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.		
		575,000
 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.		
		(44,273)
 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	\$ (49,771)	
Compensated absences	<u>(4,969)</u>	(54,740)
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		<u>(188,303)</u>
 Changes in net assets of governmental activities (page 17)	 \$	 <u><u>661,014</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2005

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,308	150,400
Inventories	24,609	0
Capital assets, net of accumulated depreciation(Note 5)	88,918	0
<b>TOTAL ASSETS</b>	<b>117,835</b>	<b>150,400</b>
<b>LIABILITIES</b>		
Interfund payable	4,434	0
Accounts payable	70	0
Nutrition loan payable(Note 6)	4,100	0
Incurred but not reported claims	0	231,738
Deferred revenues:		
Other	6,854	0
<b>TOTAL LIABILITES</b>	<b>15,458</b>	<b>231,738</b>
<b>NET ASSETS</b>		
Investment in capital assets	88,918	0
Unrestricted	13,459	(81,338)
<b>TOTAL NET ASSETS</b>	<b>\$ 102,377</b>	<b>(81,338)</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 421,233	1,634,468
TOTAL OPERATING REVENUES	<u>421,233</u>	<u>1,634,468</u>
OPERATING EXPENSES:		
Salaries	287,467	0
Benefits	51,769	1,822,303
Services	6,877	468
Supplies	336,784	0
Depreciation	5,693	0
Other	524	0
TOTAL OPERATING EXPENSES	<u>689,114</u>	<u>1,822,771</u>
OPERATING LOSS	<u>(267,881)</u>	<u>(188,303)</u>
NON-OPERATING REVENUES:		
Interest income	116	0
State sources	8,758	0
Federal sources	239,581	0
TOTAL NON-OPERATING REVENUES	<u>248,455</u>	<u>0</u>
Changes in net assets before capital contributions	(19,426)	(188,303)
OTHER FINANCING SOURCES:		
Capital contributions	874	0
Changes in net assets	(18,552)	(188,303)
Net assets at beginning of year	<u>120,929</u>	<u>106,965</u>
Net assets end of year	<u>\$ 102,377</u>	<u>(81,338)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund	Governmental Activities: Internal Service Fund
	School Nutrition	
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 413,953	0
Cash received from miscellaneous operating activities	7,905	1,682,199
Cash payments to employees for services	(339,236)	(1,761,245)
Cash payments to suppliers for goods or services	(288,756)	0
Net cash provided by(used in) operating activities	<u>(206,134)</u>	<u>(79,046)</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	4,434	0
Nutrition loan proceeds from DeWitt Bank and Trust	4,100	0
State grants received	8,758	0
Federal grants received	192,529	0
Net cash provided by non-capital financing activities	<u>209,821</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	116	0
Net cash provided by investing activities	<u>116</u>	<u>0</u>
Net increase(decrease) in cash and cash equivalents	3,803	(79,046)
Cash and cash equivalents at beginning of year	<u>505</u>	<u>229,446</u>
Cash and cash equivalents at end of year	<u>\$ 4,308</u>	<u>150,400</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (267,881)	(188,303)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	47,052	0
Depreciation	5,693	0
Decrease in inventories	8,307	0
Decrease in accounts receivable	68	47,731
Increase(Decrease) in accounts payable	70	(162)
Increase in incurred but not reported	0	61,688
Increase in deferred revenue	557	0
Net cash used in operating activities	<u>\$ (206,134)</u>	<u>(79,046)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 4,308</u>	<u>150,400</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received federal commodities valued at \$47,052.		
During the year ended June 30, 2005, the District received capital contributions from the General Fund valued at \$874.		

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2005

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 21,070
Total assets	<u>\$ 21,070</u>
LIABILITIES	
Due to other groups	\$ 21,070
Total liabilities	<u>\$ 21,070</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2005

(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, 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 Clinton 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 funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

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, 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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
Land improvements	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 Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for 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, 2005. 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment

companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>286,936</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District had investments in certificates of deposit that are stated at a fair value of \$10,000 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

**(3) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	\$ 104,000
General	Enterprise, School Nutrition	<u>4,434</u>
Total		<u>\$ 108,434</u>

**(4) Transfers**

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 327,657</u>

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, 2005 is as follows:

	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	11,639,626	49,325	0	11,688,951
Land improvements	337,640	200,632	0	538,272
Machinery and equipment	1,754,542	320,379	45,582	2,029,339
Total capital assets being depreciated	13,731,808	570,336	45,582	14,256,562
Less accumulated depreciation for:				
Buildings	4,715,152	272,349	0	4,987,501
Land improvements	175,624	34,864	0	210,488
Machinery and equipment	1,552,607	99,487	45,582	1,606,512
Total accumulated depreciation	6,443,383	406,700	45,582	6,804,501
Total capital assets being depreciated, net	7,288,425	163,636	0	7,452,061
Governmental activities capital assets, net	\$ 7,874,603	163,636	0	8,038,239
Business-type activities:				
Machinery and equipment	\$ 312,703	874	0	313,577
Less accumulated depreciation	218,966	5,693	0	224,659
Business-type activities capital assets, net	\$ 93,737	(4,819)	0	88,918

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ (13,210)
Support services:		
Student		19,163
Operation and maintenance of plant		2,260
Transportation		91,274
		<u>99,487</u>
Unallocated depreciation		<u>307,213</u>
Total governmental activities depreciation expense		<u>\$ 406,700</u>
Business-type activities:		
Food service		<u>\$ 5,693</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,165,000	0	325,000	1,840,000	340,000
Revenue bonds	2,345,000	0	250,000	2,095,000	260,000
Nutrition loan	0	4,100	0	4,100	4,100
Early retirement	99,293	109,582	59,811	149,064	94,273
Compensated absences	4,177	9,146	4,177	9,146	9,146
<b>Total</b>	<b>\$ 4,613,470</b>	<b>122,828</b>	<b>638,988</b>	<b>4,097,310</b>	<b>707,519</b>

General Obligation Bonds Payable

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue of August 1, 2001			
	Interest Rate	Principal	Interest	Total
2006	2.000 %	\$ 340,000	71,880	411,880
2007	2.500	355,000	58,650	413,650
2008	3.000	365,000	44,437	409,437
2009	3.000	385,000	29,218	414,218
2010	3.250	395,000	12,844	407,844
<b>Total</b>		<b>\$ 1,840,000</b>	<b>217,029</b>	<b>2,057,029</b>

Revenue Bonds Payable

Details of the District's June 30, 2005 revenue bonded indebtedness is as follows:

Year Ending June 30,	Bond issue of August 1, 2001			
	Interest Rate	Principal	Interest	Total
2006	4.375 %	\$ 260,000	86,843	346,843
2007	4.375	275,000	75,139	350,139
2008	4.375	285,000	62,890	347,890
2009	4.250	300,000	50,280	350,280
2010	4.400	310,000	37,085	347,085
2011	4.500	325,000	22,952	347,952
2012	4.600	340,000	7,820	347,820
<b>Total</b>		<b>\$ 2,095,000</b>	<b>343,009</b>	<b>2,438,009</b>

Nutrition Loan Payable

During the year ended June 30, 2005, the District entered into a loan agreement for \$4,100 to fund the deficit cash balance in the Enterprise, School Nutrition Fund. The loan is due August 30, 2005.

## 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, 2005, totaled \$59,811. 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 covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$424,966, \$417,888 and \$404,758, 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 a deficit \$81,333 at June 30, 2005. The incurred but not recorded and unpaid claims liability of \$231,738 reported in the plan at June 30, 2005 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 \$473,224 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY 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, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 6,446,345	421,349
Intermediate sources	6,847	0
State sources	7,095,910	8,758
Federal sources	328,961	239,581
Total revenues	<u>13,878,063</u>	<u>669,688</u>
Expenditures:		
Instruction	8,125,283	0
Support services	3,952,041	0
Non-instructional programs	1,136	689,114
Other expenditures	1,592,600	0
Total expenditures	<u>13,671,060</u>	<u>689,114</u>
Excess(deficiency) of revenues over(under) expenditures	207,003	(19,426)
Other financing sources, net	<u>2,691</u>	<u>874</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	209,694	(18,552)
Balance beginning of year	<u>4,808,717</u>	<u>120,929</u>
Balance end of year	<u>\$ 5,018,411</u>	<u>102,377</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
6,867,694	5,718,484	5,718,484	1,149,210
6,847	1,000	1,000	5,847
7,104,668	7,946,488	7,946,488	(841,820)
568,542	321,830	321,830	246,712
<u>14,547,751</u>	<u>13,987,802</u>	<u>13,987,802</u>	<u>559,949</u>
8,125,283	8,392,295	8,392,295	267,012
3,952,041	4,529,036	4,750,000	797,959
690,250	850,000	850,000	159,750
1,592,600	1,770,892	1,770,892	178,292
<u>14,360,174</u>	<u>15,542,223</u>	<u>15,763,187</u>	<u>1,403,013</u>
187,577	(1,554,421)	(1,775,385)	1,962,962
3,565	0	0	3,565
191,142	(1,554,421)	(1,775,385)	1,966,527
4,929,646	4,514,881	4,514,881	414,765
<u>5,120,788</u>	<u>2,960,460</u>	<u>2,739,496</u>	<u>2,381,292</u>

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. 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, the District adopted one budget amendment increasing budgeted expenditures by \$220,964.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
ASSETS					
Cash and pooled investments	\$ 301,352	67,811	428,974	99,214	897,351
Receivables:					
Property tax:					
Current year delinquent	3,991	0	6,026	0	10,017
Succeeding year	200,000	0	326,737	0	526,737
Accounts	0	365	0	0	365
TOTAL ASSETS	\$ 505,343	68,176	761,737	99,214	1,434,470
LIABILITIES AND FUND EQUITY					
Liabilities:					
Interfund payable	\$ 0	0	104,000	0	104,000
Accounts payable	311	8,191	0	0	8,502
Deferred revenue:					
Succeeding year property tax	200,000	0	326,737	0	526,737
	200,311	8,191	430,737	0	639,239
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	305,032	59,985	331,000	99,214	795,231
Total fund balances	305,032	59,985	331,000	99,214	795,231
TOTAL LIABILITIES AND FUND EQUITY	\$ 505,343	68,176	761,737	99,214	1,434,470

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, 2005

	Special Revenue Funds				Total Nonmajor Special Revenue Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 195,709	0	317,073	0	512,782
Other	5,393	235,470	8,603	1,797	251,263
State sources	177	0	255	0	432
<b>TOTAL REVENUES</b>	<b>201,279</b>	<b>235,470</b>	<b>325,931</b>	<b>1,797</b>	<b>764,477</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	63,442	0	0	2,000	65,442
Other instruction	0	258,568	0	0	258,568
	63,442	258,568	0	2,000	324,010
Support services:					
Administration services	107,475	0	0	0	107,475
Operation and maintenance of plant services	1,057	0	0	0	1,057
Transportation services	21,292	0	0	0	21,292
	129,824	0	0	0	129,824
Other expenditures:					
Facilities acquisition	0	0	360,301	0	360,301
	0	0	360,301	0	360,301
<b>TOTAL EXPENDITURES</b>	<b>193,266</b>	<b>258,568</b>	<b>360,301</b>	<b>2,000</b>	<b>814,135</b>
Excess(deficiency) of revenues over(under) expenditures	8,013	(23,098)	(34,370)	(203)	(49,658)
Fund balance beginning of year	297,019	83,083	365,370	99,417	844,889
Fund balance end of year	\$ 305,032	59,985	331,000	99,214	795,231

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, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity tickets	\$ 517	21,800	21,849	468
Interest	708	226	367	567
MS drama	1,218	230	366	1,082
D.A.R.E.	493	458	(842)	1,793
MS vocal music	1,357	2,897	3,859	395
MS instrumental music	351	1,250	961	640
MS student council	706	734	1,160	280
MS general athletics	794	494	1,181	107
MS boys basketball	115	262	(279)	656
MS boys football	82	0	67	15
MS boys track	503	234	603	134
MS cross country	45	645	499	191
MS boys wrestling	102	558	610	50
MS girls basketball	1,053	0	972	81
MS girls volleyball	31	1,679	(1,972)	3,682
MS girls track	13	0	(520)	533
MS yearbook	2,949	9,055	6,511	5,493
MS student building project	533	0	219	314
MS concessions	5,229	1,707	5,854	1,082
HS banquets	33	0	33	0
HS drama	5,577	810	(27)	6,414
HS speech	87	531	169	449
Baseball concessions	408	6,799	6,001	1,206
HS vocal music	3,871	4,287	5,315	2,843
HS instrumental music	14,492	10,323	5,984	18,831
HS musicals	1,640	0	421	1,219
HS industrial technology	(813)	9,212	10,084	(1,685)
HS FFA	2,240	33,092	37,706	(2,374)
HS food production	92	338	380	50
HS international club	128	0	128	0
HS national honor society	1,519	2,874	2,622	1,771
HS science club	901	0	901	0
HS student council	2,177	10,956	11,385	1,748
HS art club	258	0	0	258
HS SADD	838	0	71	767
HS class of 2005	2,133	153	2,286	0
HS class of 2006	561	7,708	5,757	2,512
HS class of 2007	77	423	37	463
HS class of 2008	0	155	30	125
HS general athletics	2,233	4,891	6,379	745
HS boys basketball	5,150	12,098	17,122	126
HS boys football	2,385	19,377	21,627	135

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS boys soccer	0	1,515	1,418	97
HS boys baseball	303	2,667	6,630	(3,660)
HS boys track	485	999	1,779	(295)
HS cross country	636	1,159	1,686	109
HS boys golf	19	26	(25)	70
HS boys wrestling	2,129	4,658	6,766	21
HS girls basketball	2,469	5,034	6,895	608
HS girls volleyball	56	2,662	2,815	(97)
HS girls soccer	0	636	606	30
HS girls softball	(221)	3,304	1,548	1,535
HS girls track	210	1,643	1,975	(122)
HS girls golf	7	60	49	18
HS yearbook	2,151	25,548	26,346	1,353
HS special ed labor	1,744	0	1,744	0
HS cheerleading	1,909	2,347	2,547	1,709
HS central sensations dance	79	2,067	1,175	971
Ekstrand special olympics	113	1,476	1,476	113
Ekstrand student council	1,924	1,634	1,220	2,338
Ekstrand resale	0	5,298	5,298	0
Welton library	933	2,583	2,583	933
Welton student council	5,351	3,377	7,640	1,088
Welton resale	0	521	521	0
Total	<u>\$ 83,083</u>	<u>235,470</u>	<u>258,568</u>	<u>59,985</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
BALANCE SHEET  
SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS  
JUNE 30, 2005

	Paarman Trust
ASSETS	
Cash and pooled investments	\$ 99,214
TOTAL ASSETS	\$ 99,214
LIABILITIES AND FUND EQUITY	
Liabilities:	\$ 0
Fund equity:	
Unreserved, undesignated	99,214
TOTAL LIABILITIES AND FUND EQUITY	\$ 99,214

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, 2005

	Barnes Scholarship	Paarman Trust	Total
REVENUES:			
Local sources:			
Interest on investments	\$ 0	1,297	1,297
Contributions and donations	500	0	500
TOTAL REVENUES	<u>500</u>	<u>1,297</u>	<u>1,797</u>
EXPENDITURES:			
Instruction:			
Scholarships	500	1,500	2,000
TOTAL EXPENDITURES	<u>500</u>	<u>1,500</u>	<u>2,000</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	0	(203)	(203)
FUND BALANCE BEGINNING OF YEAR	<u>0</u>	<u>99,417</u>	<u>99,417</u>
FUND BALANCE END OF YEAR	<u>\$ 0</u>	<u>99,214</u>	<u>99,214</u>

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, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 21,781	119,133	119,844	21,070
<b>LIABILITIES</b>				
Accounts payable	755	0	755	0
Due to other groups	21,026	119,133	119,089	21,070
	\$ 21,781	119,133	119,844	21,070

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,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,446,878	5,482,019	5,360,998	5,072,199
Tuition	370,479	423,082	355,520	240,342
Other	628,988	742,359	588,857	778,171
Intermediate sources	6,847	923	8,048	4,137
State sources	7,095,910	6,855,614	7,003,749	6,868,394
Federal sources	328,961	381,623	300,703	273,124
Total	<u>\$ 13,878,063</u>	<u>13,885,620</u>	<u>13,617,875</u>	<u>13,236,367</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 4,844,291	4,895,670	4,746,638	4,580,062
Special instruction	2,194,872	2,258,272	2,091,897	2,079,090
Other instruction	1,086,120	1,121,948	980,180	1,034,491
Support services:				
Student services	523,889	511,424	460,749	446,474
Instructional staff services	397,983	398,076	384,842	403,092
Administration services	1,409,492	1,328,615	1,273,183	1,259,725
Operation and maintenance of plant services	969,635	879,635	890,164	830,485
Transportation services	651,042	621,878	609,312	693,794
Other support services	0	85,835	80,959	77,756
Non-instructional programs	1,136	6,516	4,172	0
Other expenditures:				
Facilities acquisitions	361,492	179,475	1,374,484	1,946,277
Long-term debt:				
Principal	575,000	550,000	430,000	300,000
Interest and fiscal charges	182,884	205,115	222,374	210,741
AEA flow-through	473,224	472,520	503,865	503,191
Total	<u>\$ 13,671,060</u>	<u>13,514,979</u>	<u>14,052,819</u>	<u>14,365,178</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
<b>DIRECT:</b>			
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215F	FY 05	\$ 50,596
<b>INDIRECT:</b>			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	47,052
TEAM NUTRITION GRANT	10.574	FY 05	2,487
SCHOOL NUTRITION CLUSTER PROGRAMS:			
USDA FRUIT AND VEGATABLE GRANT	10.555	FY 05	15,307
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	30,644
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	143,781
SPECIAL MILK	10.556	FY 05	2,797
			<u>192,529</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1082-G	112,174
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	6,576
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	6,697
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 04	31,423
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	43,068
			<u>74,491</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 05	9,636

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
DEPARTMENT OF EDUCATION (CONTINUED) :			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 05	<u>83,616</u>
SPECIAL EDUCATION - GRANTS TO STATES (SUCCESS 4)			
	84.027	FY 05	<u>1,177</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 04	3,754
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 04	6,054
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 05	<u>2,884</u>
			<u>12,692</u>
SUPPORTING SCHOOLS IN EMERGENCY RESPONSE AND CRISIS MANAGEMENT			
	84.184E	FY 05	<u>1,167</u>
TOTAL			<u>\$ 600,890</u>

**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 basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Community Schools of Clinton County as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 13, 2005, which was qualified because of the lack of capital assets. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 caused by error or fraud 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 II-A-05 is a material weakness.

Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

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immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 13, 2005

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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 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, 2005. 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 agreements 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 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, 2005.

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 grant agreements 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

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relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud 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 operations 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

September 13, 2005

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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
    - CFDA Number 10.556 - Special Milk
- (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, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 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.

II-B-05 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over one year.

Recommendation - The District should research the outstanding checks to determine if they should be re-issued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

CENTRAL COMMUNITY SCHOOLS OF CLINTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 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, 2005.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted during our audit that there were clothing items purchased for coaches out of the Special Revenue, Student Activity Fund which may not meet the requirements for public purpose as defined in Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the clothing purchases expenditures and document the public purpose served. The District may consider adopting a policy directed to requirements in meeting public purpose criteria. If no public purpose is identified, these types of expenditures should be added to the individuals W-2's or the District should be reimbursed by the individuals who received the items of clothing.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-D-05 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-05 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	\$1,428
Trish Thayer, teacher Spouse is manager of The Office Center	Office equipment and supplies	\$38,398
Diane and William Prichard, teachers Owners of Opera house Theatre	Rent	\$1,677
Madonna Schlotfeldt, food service	Cakes for reception	\$206
Bev Bousselot, teacher Spouse is co-owner of Scott Drugstore	Film and supplies	\$293
Rodney Wold, bus driver Owner of Wold's Petro Shop	Tire repairs	\$166

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-05 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-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-05 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.