

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

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

JUNE 30, 2005

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CENTRAL CITY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Kirk Hayes	President	2004
David Goodlove	Vice President	2006
Sue Pillard	Board Member	2005
Jara Pavlis	Board Member	2006
Teresa Uhlenkamp	Board Member	2005
<u>Board of Education</u>		
(After September 2004 Election)		
Kirk Hayes	President	2007
David Goodlove	Vice President	2006
Sue Pillard	Board Member	2005
Jara Pavlis	Board Member	2006
Teresa Uhlenkamp	Board Member	2005
<u>School Officials</u>		
William Mertens	Superintendent	2005
Karla Hogan	District Secretary/Treasurer	2005
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District, Iowa, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic 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, business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005 on our consideration of Central City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 17 and 54 through 56 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 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.

Oskaloosa, Iowa
September 21, 2005

Management Discussion and Analysis

This section of the Central City Community School District's Audit Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ended June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The State of Iowa allowed a 2% growth for the 2004–2005 school year.
- The General Fund undesignated unreserved fund balance increased from \$550,992 in fiscal year 2004 to \$744,009 in fiscal year 2005. This equates to a 19.37 % solvency ratio.
- The increase in General Fund revenue was attributable to an increase in local and state revenue in fiscal year 2005.

Overview of Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on the *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food service and childcare.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

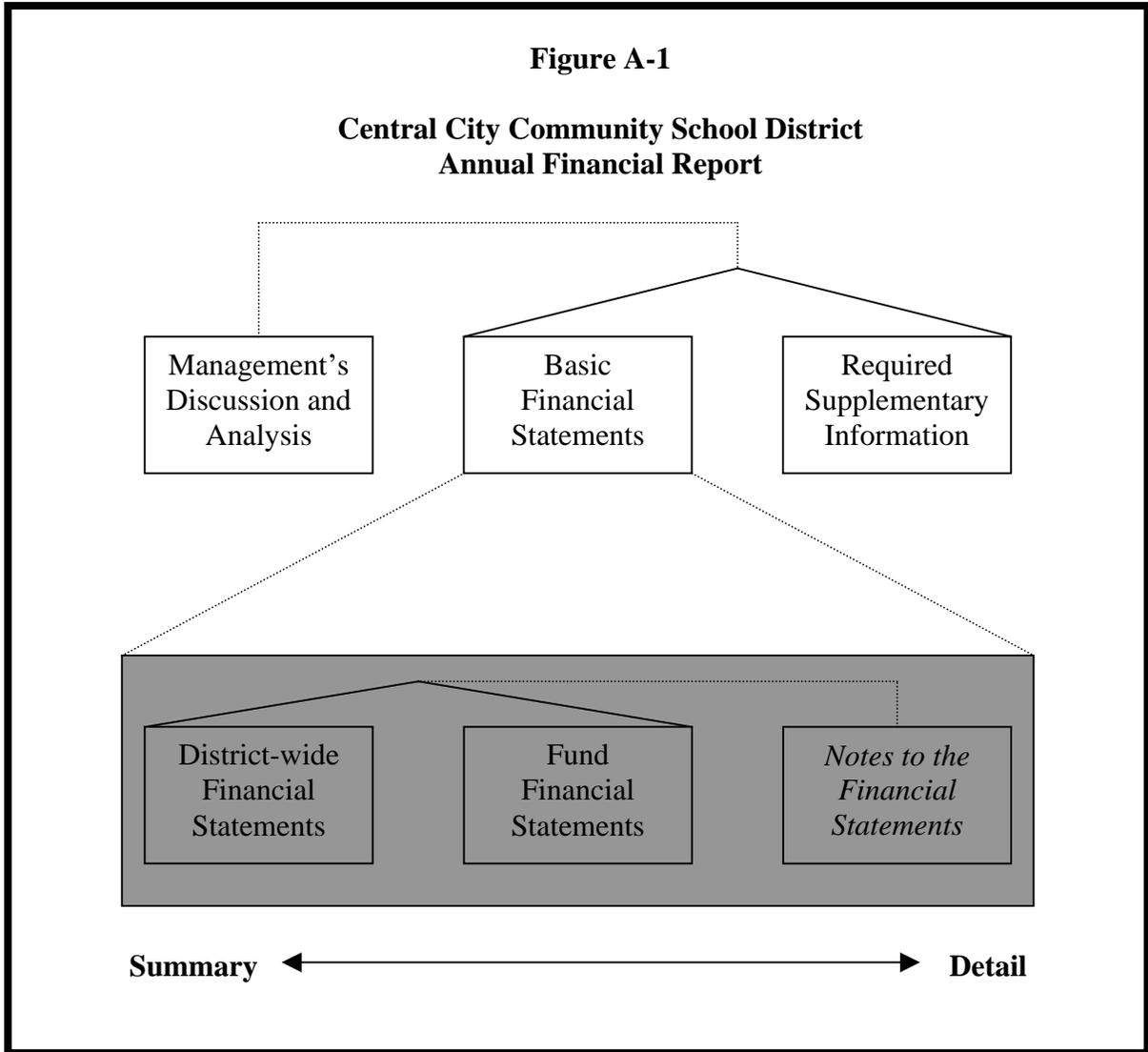


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Financial Statements

Figure A-2: Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 and payable	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

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net 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 District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net 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 District-wide financial statements, the District's activities are divided into two categories:

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

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 repaying long term-debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom

of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

There was significant change in the district's combined net assets as evidenced below in Figure A-3. Both the combined total assets and liabilities experienced a double-digit percentage increase. Combined total assets increased 68.11% while combined total liabilities increased by 87.22%. These large increases are somewhat misleading. The district sold general obligation bonds late in the fiscal year and hadn't commenced with the construction project that the money was bonded for. Because of the aforementioned sale of general obligation bonds, total combined net assets has \$3,060,174 in the Capital Projects Fund and the total combined liabilities has an additional \$3,060,000 in long-term obligations.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2005
	2004	2005	2004	2005	2004	2005	
Current and other assets	3,180,701	6,208,308	40,574	108,864	3,221,275	6,317,166	96.11%
Capital assets	768,269	940,714	782,577	764,360	1,550,846	1,705,074	9.94%
Total Assets	3,948,970	7,149,016	823,151	873,224	4,772,121	8,022,240	68.11%
Long-term obligations	50,419	3,070,000	789,809	789,809	840,228	3,859,809	359.38%
Other liabilities	2,483,409	2,398,162	43,013	44,912	2,526,422	2,443,074	-3.30%
Total Liabilities	2,533,828	5,468,162	832,822	834,721	3,366,650	6,302,883	87.22%
Net assets:							
Investment in capital assets, net of related debt	717,850	940,714	(7,232)	(25,449)	710,618	915,265	28.80%
Restricted	175,448	135,425	0	0	175,448	135,425	-22.81%
Unrestricted	521,844	604,715	(2,439)	63,952	519,405	668,667	28.74%
Total Net Assets	1,415,142	1,680,854	(9,671)	38,503	1,405,471	1,719,357	22.33%

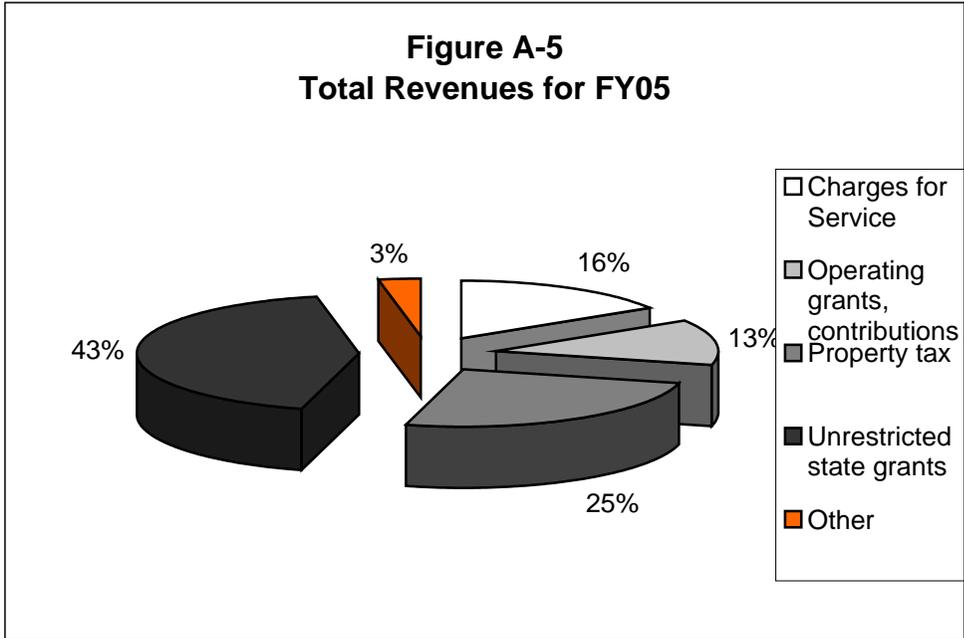
Investment in capital assets (e.g. land, buildings, furniture and equipment) less any outstanding debt used to acquire those assets is \$915,265. These assets are not available for future spending since they are being used to provide services to our students. The resources needed to pay the debt related to these capital assets must be provided from other resources. Approximately \$135,425 of net assets reflects amounts with external restrictions to which the funds can be used. The remaining balance of \$668,667 represents the unrestricted net assets, which may be used to meet the ongoing obligations of the District. This surplus is not an indication that the District has plenty of resources to meet next year's financial obligations but rather that the District has current assets that cover the long-term commitments.

Changes In Net Assets as shown in Figure A-4 below, illustrates that the District as a whole experienced a 9.25 percent increase in operating revenue while experiencing a 7.34 percent increase in expenses. Of the \$227,953 increase in charges for services, \$244,927 was due to an increase in revenues for ABC Childcare. Property taxes and unrestricted state aid account for most of the district's revenue, with each contributing approximately 25 percent and 43 percent respectively of the total dollars raised (See Figure A-5).

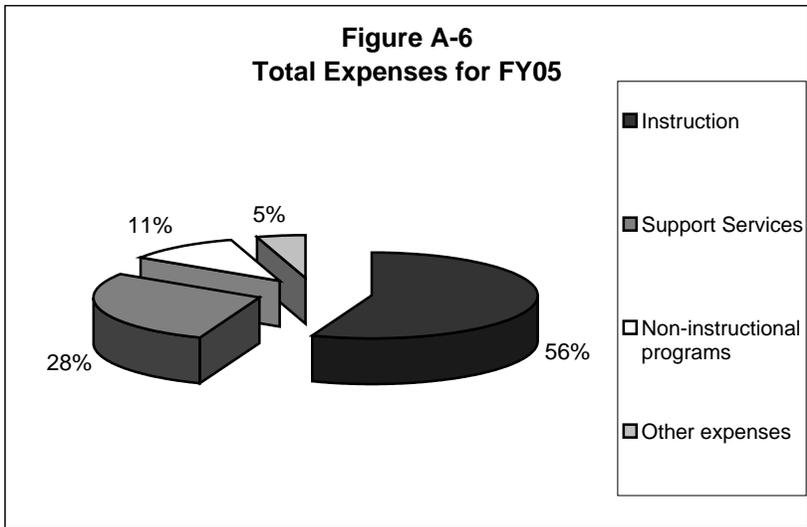
Total cost for all programs and services rose 7.34 percent to \$4,326,388. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (56%) are devoted to direct Instruction. The bulk of the 5.4 percent increase in instruction is due to negotiated salary and benefit increases. Another 28 percent is spent on Support Services.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues:							
Program Revenues:							
Charges for Service	345,134	342,942	169,812	399,947	514,946	742,899	44.27%
Operating grants and contributions and restricted interest	501,831	452,914	95,215	135,067	597,046	587,981	-1.52%
Capital grants and contributions and restricted interest	0	30,201	0	0	0	30,201	302.01%
General Revenues:							
Property tax	1,139,440	1,169,740	0	0	1,139,440	1,169,740	2.66%
Unrestricted state grants	1,943,539	1,972,543	0	0	1,943,539	1,972,543	1.49%
Other	52,288	136,751	63	159	52,351	136,910	161.52%
Total Revenues	3,982,232	4,105,101	265,090	535,173	4,247,322	4,640,274	9.25%
Program Expenses:							
Governmental activities:							
Instruction	2,400,269	2,413,280	0	0	2,400,269	2,413,280	5.40%
Support Services	1,176,119	1,223,725	0	0	1,176,119	1,223,725	4.05%
Non-instructional programs	0	0	277,746	486,999	277,746	486,999	75.34%
Other expenses	176,517	202,384	0	0	176,517	202,384	14.65%
Total Expenses	3,752,905	3,839,389	277,746	486,999	4,030,651	4,326,388	7.34%
Changes in net assets	229,327	265,712	(12,656)	48,174	216,671	313,886	44.87%



The chart at the left shows that property tax and unrestricted state grants equates to 68% of the District's total revenue. Of the remaining 32%, 16% is from operating grants and contributions and restricted interest.



The chart to the left represents the District's total expenses for the fiscal year 2004-2005. Instruction and support services account for 84% of the District's expenses.

Governmental Activities

Revenues for governmental activities were \$4,105,101; a 3.09 percent increase and expenses were \$3,839,389, a 2.3 percent increase. This left a net change in assets of \$265,712. There was an increase in the Student Activity Fund of \$18,123. The remaining net change in assets

was due to increased revenue compared to fiscal year 2004. The increased revenues can be credited both to a rebound of the economy and efforts of the district to keep a strong financial position:

- Following a year in which the state instituted a 2.25% across the board cut, the economy of the state rebounded enough to justify a 2% increase in allowable growth.
- To be fiscally responsible, the district assessed management fund taxes for \$30,000 to assist in covering the cost of general liability, building/property and workers compensation insurance costs.
- To help defray this cost of the addition to the management levy to the property owners of the community the cash reserve levy was decreased from \$105,000 to \$60,000.

The \$86,484 increase in governmental activity expenditures are mainly associated with the 3.59 percent-negotiated salary and benefit packages given to the district employee groups.

Figure A-7 presents the cost of three District activities: Instruction, Support Services and Other Expenses. The table shows each activity's *net cost* (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

	Total Cost of Services		Percentage Change	Net Cost of Service		Percentage Change
	2004	2005	2004-2005	2004	2005	2004-2005
Instruction	2,400,269	2,413,280	.54%	1,701,511	1,764,398	3.70%
Support Services	1,176,119	1,223,725	4.05%	1,174,460	1,220,669	3.93%
Other Expenses	176,517	202,384	14.69%	29,969	28,255	-5.72%
Totals	3,752,905	3,839,389	2.30%	2,905,940	3,013,322	3.70%

- The cost of all governmental activities this year was \$3,839,389.
- Some of the cost was financed by the users of the District's programs, (\$342,952).
- The federal and state governments subsidized certain programs with grants and contributions, (\$452,914).
- Capital contributions accounted for \$30,201.
- Most of the District's costs (\$3.013 million) were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$1.169 million in property taxes, \$1.972 million in unrestricted state aid based in large part on the statewide education aid formula.

Business-Type Activities

Revenues of the District's business-type activities were \$535,173 while expenses were \$486,999 (Refer to Figure A-4). At the present time, the three funds comprise the business-type activities are School Nutrition Fund, Pre-Kindergarten Fund and ABC Childcare Fund. The Pre-Kindergarten Fund activity is being transferred to the General Fund for fiscal year 2006. The revenues in the School Nutrition Fund can be broken down into two main categories: charges for services and federal/state reimbursements, the ABC Childcare Fund revenues can be broken down into two main categories: charges for services and federal/state reimbursements. The ABC Childcare also received a HACAP Wrap Around Grant for \$48,000.

During the year ended June 30, 2005, the District's net assets increased in the business-type activities by \$48,174.

- The School Nutrition fund revenues exceeded expenses by \$15,256. The school nutrition fund balance is increasing due to management's decision to reduce costs and raise revenues in an effort to offset the cost of equipment and furniture in the new cafeteria/kitchen.
- ABC Childcare operating revenues exceeded operating expenses by \$33,132. The Childcare had a net asset balance of \$11,727 on June 30, 2005. This was expected due to the Childcare operating for a full year in fiscal year 2005 and the continued growth of the facility.
- The Pre-Kindergarten Fund was used only to deposit funds until being transferred to the General Fund, so this fund will be closed for fiscal year 2006.

Financial Analysis of the District's Funds

At the end of fiscal year ended June 30, 2005, the District's governmental funds reported combined ending fund balances of \$3,832,158, an increase of \$3,132,943 in comparison with the prior year. The General Fund balance increased by \$182,890 in fiscal year 2005. Most significantly, a Capital Projects Fund was added with an ending fund balance of \$3,060,174. Another governmental fund that had a decrease in fund balance was the Physical Plant and Equipment Levy Fund, which decreased by \$90,051. This decrease was due to a management decision to pay for the architect fees for the current building project from PPEL. The Management Levy Fund balance dropped from \$64,984 to \$35,726. This decline was due to a management decision to levy only \$30,000 in taxes in this fund during the current year.

The District's business-type activities changed mostly due to the ABC Childcare enterprise fund during the current year. The ABC Childcare fund ending fund balance increased by \$33,132. The School Nutrition fund ending fund balance increased by \$15,256, which will help with the additional cost of the new cafeteria, scheduled to open in the 2006 – 2007 school year.

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared according to cash basis accounting. Over the course of the year, the District amended its annual operating budget one time to reflect higher than expected costs associated with the increased growth of ABC Childcare and the high school building project. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 54 and 55.

Legal Budgetary Highlights

The District's total actual revenues were \$248,909 higher than the total budgeted revenues, a variance of 5.85%. The most significant change resulted in the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted by \$567,187, due primarily to the District's budget for the General Fund. It is the District's practice to budget the expenditures closer to 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 the actual expenditures during the year.

Capital Asset Administration

The District's investments in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$1,705,074 (net of accumulated depreciations). This investment in capital assets included land, buildings, vehicles and equipment (See Figure A-8). This amount represents a net increase of \$154,228 or 9.93 percent from last year.

The biggest change in comparing fiscal year 2005 with the previous year is in the Construction in Progress category. This was due to the start of the high school building project during the end of fiscal year 2005.

**Figure A-8
CAPITAL ASSETS, NET OF DEPRECIATION
(EXPRESSED IN THOUSANDS)**

	Governmental Activities		Business- Type Activities		Total School District		Total Change 2004- 2005
	2004	2005	2004	2005	2004	2005	
Land	\$ 69	\$ 69	-	-	\$ 69	\$ 69	0.00%
Construction In Progress	0	181	0	0	0	181	100.00%
Buildings	532	507	\$774	\$758	1,306	1,266	-3.06%
Furniture/Equipment	167	183	9	6	176	189	7.39%
Totals	\$768	\$940	\$783	\$764	\$1,551	\$1,705	9.93%

Long-Term Liabilities

At year-end, the District had \$3,060,000 in general obligation bonds outstanding and \$10,000 in early retirement. This represents an increase of \$3,019,581 over the previous fiscal year as can be seen in Figure A-9 below. The increase to the debt schedule is due to the sale of general obligation bonds for the high school building project. Further detailed information about long-term debt can be found in Note 7 to the financial statements.

**Figure A-9
Outstanding Long-Term Obligations**

	Total School District		Total Change
	2004	2005	2004-2005
General Obligation Bonds	0	3,060,000	100.00%
Early Retirement	0	10,000	100.00%
TOTAL	0	3,070,000	100.00%

Factors Bearing on the District's Future

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

- The District's enrollment has remained steady for the past couple of years. However, the possibility of declining enrollment will affect the district's budgetary abilities, and could result in lower revenues from state funding.
- It became recognized that the state economy has really rebounded. Not only had the state upheld the 4% allowable growth for 2005-2006 as stated in the law, they appropriated an additional \$16.25 million for additional professional development. For Central City Schools, that equates to roughly \$15,272.
- The outcome of the bond issue vote in July 2005, which would approve Proposition B on the ballot, is currently before the Iowa Supreme Court awaiting a decision. If the decision is favorable an additional levy of up to \$1.35 of \$1,000 of assessed valuation will raise approximately \$1,530,000 to finish the planned addition and remodeling. Part of this amount may be used to lower the Physical Plant and Equipment fund negative balance.
- The District's patrons passed a crucial vote in September 2004, the passage of the Physical Plant and Equipment Levy for another 10 years. The PPEL Levy will generate roughly \$57,818 in voted property tax revenue for fiscal year 2006. The money raised from this levy will be used for purchasing, improving, repairing, remodeling, expanding or constructing buildings.

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 of the money it receives. If you have questions about this report or need additional financial information, contact Karla Hogan, Central City Community School District, 400 Barber Street, Central City, Iowa 52214.

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Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,053,705	\$ 80,792	\$ 4,134,497
Receivables:			
Property tax:			
Current year	21,048	-	21,048
Succeeding year	1,208,442	-	1,208,442
Accounts	37,606	4,231	41,837
Due from other governments	86,808	14,211	101,019
Inventories	-	9,630	9,630
Restricted ISCAP assets (note 5):			
Investments	792,603	-	792,603
Accrued interest receivable	8,090	-	8,090
Capital assets, net of accumulated depreciation (note 6)	940,714	764,360	1,705,074
Total assets	7,149,016	873,224	8,022,240
Liabilities			
Accounts payable	43,920	1,541	45,461
Salaries and benefits payable	321,744	37,249	358,993
Accrued interest payable	22,018	-	22,018
ISCAP warrants payable (note 5)	790,000	-	790,000
ISCAP accrued interest payable (note 5)	8,578	-	8,578
ISCAP unamortized premium	3,460	-	3,460
Deferred revenue:			
Succeeding year property tax	1,208,442	-	1,208,442
Other	-	6,122	6,122
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	10,000	-	10,000
Bonds payable	100,000	-	100,000
Capital lease purchase agreement	-	7,560	7,560
Portion due after one year:			
Bonds payable	2,960,000	-	2,960,000
Capital lease purchase agreement	-	782,249	782,249
Total liabilities	5,468,162	834,721	6,302,883

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 940,714	\$ (25,449)	\$ 915,265
Restricted for:			
Management levy	25,726	-	25,726
Other special revenue purposes	97,696	-	97,696
Capital projects	174	-	174
State grants	11,829	-	11,829
Unrestricted	<u>604,715</u>	<u>63,952</u>	<u>668,667</u>
Total net assets	<u>\$ 1,680,854</u>	<u>\$ 38,503</u>	<u>\$ 1,719,357</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

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
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,647,420	\$ 167,330	\$ 237,982	\$ -
Special instruction	405,754	50,504	56,872	-
Other instruction	360,106	123,618	12,576	-
	<u>2,413,280</u>	<u>341,452</u>	<u>307,430</u>	<u>-</u>
Support services:				
Student services	111,030	-	-	-
Instructional staff services	127,729	-	-	-
Administration services	532,612	-	-	-
Operation and maintenance of plant services	277,444	1,500	-	-
Transportation services	174,910	-	1,556	-
	<u>1,223,725</u>	<u>1,500</u>	<u>1,556</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	2,880	-	-	30,201
Long-term debt interest and fiscal charges	23,700	-	-	-
AEA flowthrough	143,928	-	143,928	-
Depreciation (unallocated) *	31,876	-	-	-
	<u>202,384</u>	<u>-</u>	<u>143,928</u>	<u>30,201</u>
Total governmental activities	<u>3,839,389</u>	<u>342,952</u>	<u>452,914</u>	<u>30,201</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	146,613	96,025	65,757	-
Daycare operations	340,172	303,922	69,310	-
Other operations	214	-	-	-
	<u>486,999</u>	<u>399,947</u>	<u>135,067</u>	<u>-</u>
Total business-type activities	<u>486,999</u>	<u>399,947</u>	<u>135,067</u>	<u>-</u>
Total	<u>\$ 4,326,388</u>	<u>\$ 742,899</u>	<u>\$ 587,981</u>	<u>\$ 30,201</u>

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,242,108)	\$ -	\$ (1,242,108)
(298,378)	-	(298,378)
(223,912)	-	(223,912)
<u>(1,764,398)</u>	<u>-</u>	<u>(1,764,398)</u>
(111,030)	-	(111,030)
(127,729)	-	(127,729)
(532,612)	-	(532,612)
(275,944)	-	(275,944)
(173,354)	-	(173,354)
<u>(1,220,669)</u>	<u>-</u>	<u>(1,220,669)</u>
27,321	-	27,321
(23,700)	-	(23,700)
-	-	-
(31,876)	-	(31,876)
<u>(28,255)</u>	<u>-</u>	<u>(28,255)</u>
<u>(3,013,322)</u>	<u>-</u>	<u>(3,013,322)</u>
-	15,169	15,169
-	33,060	33,060
-	(214)	(214)
<u>-</u>	<u>48,015</u>	<u>48,015</u>
<u>(3,013,322)</u>	<u>48,015</u>	<u>(2,965,307)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

 General purposes

 Capital outlay

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change 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 the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 1,084,348	\$ -	\$ 1,084,348
85,392	-	85,392
1,972,543	-	1,972,543
25,522	159	25,681
111,229	-	111,229
<hr/>		
3,279,034	159	3,279,193
<hr/>		
265,712	48,174	313,886
<hr/>		
1,415,142	(9,671)	1,405,471
<hr/>		
<u>\$ 1,680,854</u>	<u>\$ 38,503</u>	<u>\$ 1,719,357</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 851,031	\$ 3,060,174	\$ 142,500	\$ 4,053,705
Receivables:				
Property tax:				
Current year	19,025	-	2,023	21,048
Succeeding year	875,254	-	333,188	1,208,442
Interfund receivable (note 4)	118,759	-	-	118,759
Accounts	37,606	-	-	37,606
Due from other governments	86,808	-	-	86,808
Restricted ISCAP assets (note 5):				
Investments	792,603	-	-	792,603
Accrued interest receivable	8,090	-	-	8,090
	<hr/>			
Total assets	<u>\$ 2,789,176</u>	<u>\$ 3,060,174</u>	<u>\$ 477,711</u>	<u>\$ 6,327,061</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,302	\$ -	\$ 9,618	\$ 43,920
Salaries and benefits payable	321,744	-	-	321,744
Interfund payable (note 4)	-	-	118,759	118,759
ISCAP warrants payable (note 5)	790,000	-	-	790,000
ISCAP accrued interest payable (note 5)	8,578	-	-	8,578
ISCAP unamortized premium	3,460	-	-	3,460
Deferred revenue:				
Succeeding year property tax	875,254	-	333,188	1,208,442
Other	-	-	-	-
Total liabilities	2,033,338	-	461,565	2,494,903
Fund balance:				
Reserved for:				
State grants	11,829	-	-	11,829
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	16,146	16,146
Undesignated	744,009	3,060,174	-	3,804,183
Total fund balances	755,838	3,060,174	16,146	3,832,158
Total liabilities and fund balances	\$ 2,789,176	\$ 3,060,174	\$ 477,711	\$ 6,327,061

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 3,832,158
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	940,714
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(22,018)
Long-term liabilities, including bonds 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>(3,070,000)</u>
Net assets of governmental activities	<u>\$ 1,680,854</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,054,428	\$ -	\$ 115,312	\$ 1,169,740
Tuition	157,642	-	-	157,642
Other	175,846	10,419	137,493	323,758
State sources	2,301,520	-	-	2,301,520
Federal sources	151,637	-	-	151,637
Total revenues	<u>3,841,073</u>	<u>10,419</u>	<u>252,805</u>	<u>4,104,297</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,629,864	-	-	1,629,864
Special instruction	405,754	-	-	405,754
Other instruction	230,196	-	125,805	356,001
	<u>2,265,814</u>	<u>-</u>	<u>125,805</u>	<u>2,391,619</u>
Support services:				
Student services	111,030	-	-	111,030
Instructional staff services	127,729	-	-	127,729
Administration services	468,251	-	59,178	527,429
Operation and maintenance of plant services	280,599	-	845	281,444
Transportation services	207,612	-	-	207,612
	<u>1,195,221</u>	<u>-</u>	<u>60,023</u>	<u>1,255,244</u>
Other expenditures:				
Facilities acquisition	-	10,245	177,098	187,343
Long term debt:				
Principal	-	-	50,419	50,419
Interest and fiscal charges	-	-	3,605	3,605
AEA flowthrough	143,928	-	-	143,928
	<u>143,928</u>	<u>10,245</u>	<u>231,122</u>	<u>385,295</u>
Total expenditures	<u>3,604,963</u>	<u>10,245</u>	<u>416,950</u>	<u>4,032,158</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,110</u>	<u>174</u>	<u>(164,145)</u>	<u>72,139</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 804	\$ -	\$ -	\$ 804
Interfund transfers in	-	-	54,024	54,024
Interfund transfers out	(54,024)	-	-	(54,024)
General obligation bonds issued	-	3,060,000	-	3,060,000
Total other financing sources (uses)	<u>(53,220)</u>	<u>3,060,000</u>	<u>54,024</u>	<u>3,060,804</u>
Net change in fund balances	182,890	3,060,174	(110,121)	3,132,943
Fund balances beginning of year	<u>572,948</u>	-	<u>126,267</u>	<u>699,215</u>
Fund balances end of year	<u>\$ 755,838</u>	<u>\$ 3,060,174</u>	<u>\$ 16,146</u>	<u>\$ 3,832,158</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 3,132,943

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Capital outlays	\$ 257,463	
	Depreciation expense	<u>(85,018)</u>	172,445

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 50,419

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. (20,095)

Some expenses reported in the statement of activities, including early retirement, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (10,000)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (3,060,000)

Change in net assets of governmental activities \$ 265,712

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2005

	ABC Childcare	Nonmajor Enterprise Funds	Total
Assets			
Cash and cash equivalents	\$ 59,124	\$ 21,668	\$ 80,792
Accounts receivable	2,773	1,458	4,231
Due from other governments	14,211	-	14,211
Inventories	-	9,630	9,630
Capital assets, net of accumulated depreciation (note 6)	758,217	6,143	764,360
Total assets	<u>834,325</u>	<u>38,899</u>	<u>873,224</u>
Liabilities			
Accounts payable	1,541	-	1,541
Salaries and benefits payable	26,899	10,350	37,249
Deferred revenue	4,349	1,773	6,122
Long-term liabilities (note 7):			
Portion due within one year:			
Capital lease purchase agreement	7,560	-	7,560
Portion due after one year:			
Capital lease purchase agreement	782,249	-	782,249
Total liabilities	<u>822,598</u>	<u>12,123</u>	<u>834,721</u>
Net Assets			
Invested in capital assets, net of related debt	(31,592)	6,143	(25,449)
Unrestricted	43,319	20,633	63,952
Total net assets	<u>\$ 11,727</u>	<u>\$ 26,776</u>	<u>\$ 38,503</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	ABC Childcare	Nonmajor Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Local sources:			
Charges for services	\$ 303,922	\$ 96,025	\$ 399,947
	<u> </u>	<u> </u>	<u> </u>
Operating expenses:			
Non-instructional programs:			
Food and community service operations:			
Salaries	234,224	58,251	292,475
Benefits	30,017	7,165	37,182
Purchased services	5,218	419	5,637
Supplies	34,551	78,288	112,839
Interest	20,366	-	20,366
Depreciation	15,796	2,421	18,217
Other	-	283	283
	<u>340,172</u>	<u>146,827</u>	<u>486,999</u>
Operating loss	<u>(36,250)</u>	<u>(50,802)</u>	<u>(87,052)</u>
Non-operating revenues:			
Interest on investments	72	87	159
Contributions	4,358	-	4,358
State sources	-	2,500	2,500
Federal sources	64,952	63,257	128,209
Total non-operating revenues	<u>69,382</u>	<u>65,844</u>	<u>135,226</u>
Change in net assets	33,132	15,042	48,174
Net assets beginning of year	<u>(21,405)</u>	<u>11,734</u>	<u>(9,671)</u>
Net assets end of year	<u>\$ 11,727</u>	<u>\$ 26,776</u>	<u>\$ 38,503</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	ABC Childcare	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 96,660	\$ 96,660
Cash received from miscellaneous operating activities	299,678	180	299,858
Cash payments to employees for services	(252,695)	(65,089)	(317,784)
Cash payments to suppliers for goods or services	(74,192)	(71,730)	(145,922)
Net cash used in operating activities	<u>(27,209)</u>	<u>(39,979)</u>	<u>(67,188)</u>
Cash flows from non-capital financing activities:			
Contributions received	4,358	-	4,358
State grants received	-	2,500	2,500
Federal grants received	63,149	53,002	116,151
Net cash provided by non-capital financing activities	<u>67,507</u>	<u>55,502</u>	<u>123,009</u>
Cash flows from investing activities:			
Interest on investments	72	87	159
Net increase in cash and cash equivalents	40,370	15,610	55,980
Cash and cash equivalents beginning of year	<u>18,754</u>	<u>6,058</u>	<u>24,812</u>
Cash and cash equivalents end of year	<u>\$ 59,124</u>	<u>\$ 21,668</u>	<u>\$ 80,792</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>ABC Childcare</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (36,250)	\$ (50,802)	\$ (87,052)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	15,796	2,421	18,217
Commodities used	-	10,255	10,255
Decrease in accounts receivable	4,143	753	4,896
(Increase) in due from other governments	(12,408)	-	(12,408)
(Increase) in inventories	-	(2,995)	(2,995)
Increase in accounts payable	569	-	569
Increase in salaries and benefits payable	11,546	327	11,873
(Decrease) in accrued interest payable	(14,626)	-	(14,626)
Increase in deferred revenue	4,021	62	4,083
Net cash used in operating activities	\$ <u>(27,209)</u>	\$ <u>(39,979)</u>	\$ <u>(67,188)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$10,255 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2005

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>60,668</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u>60,668</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2005

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>1,823</u>
Deductions:	
Support services:	
Scholarships awarded	<u>87</u>
Change in net assets	1,736
Net assets beginning of year	<u>58,932</u>
Net assets end of year	\$ <u><u>60,668</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

Central City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Central City, Iowa, portions of the Cities of Prairieburg, Waubeek, and Paris, Iowa, and the agricultural territory in Linn 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 City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Central City Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 District-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 main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following major proprietary fund:

The Enterprise, ABC Childcare Fund is used to account for the daycare operations of the District.

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent these transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded.

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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-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	\$ 2,500
Buildings	2,500
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse employees for sick leave or vacation.

Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2005.

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted prior to the amendment of the budget.

Note 2. Cash and Pooled Investments

The District’s deposits in banks 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

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

	Amortized Cost
Diversified Portfolio	\$ 3,039,807

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

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 54,024

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

Note 4. Interfund Receivables and Payables

At June 30, 2005 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Pooled Cash Balances:		
General	Special Revenue - Physical Plant and Equipment Levy	\$ 118,759

To the extent that cash expenditures have been made in one fund legally restricted to make those expenditures prior to the collection of anticipated tax revenues, the District has temporary financing between funds. These balances are not included on the government-wide statement of net assets.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/2004	6/30/2005	\$ -	\$ 137	\$ -	\$ -
2004-05B	1/28/2005	1/27/2006	583,682	7,908	582,000	8,538
2005-06A	6/30/2005	6/30/2006	208,921	45	208,000	40
Total			<u>\$ 792,603</u>	<u>\$ 8,090</u>	<u>\$ 790,000</u>	<u>\$ 8,578</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2005.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. 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	\$ 69,000	\$ -	\$ -	\$ 69,000
Construction in progress	-	181,004	-	181,004
Total capital assets not being depreciated	<u>69,000</u>	<u>181,004</u>	<u>-</u>	<u>250,004</u>
Capital assets being depreciated:				
Buildings	1,537,965	3,459	-	1,541,424
Furniture and equipment	801,513	73,000	73,278	801,235
Total capital assets being depreciated	<u>2,339,478</u>	<u>76,459</u>	<u>73,278</u>	<u>2,342,659</u>
Less accumulated depreciation for:				
Buildings	1,005,610	28,412	-	1,034,022
Furniture and equipment	634,599	56,606	73,278	617,927
Total accumulated depreciation	<u>1,640,209</u>	<u>85,018</u>	<u>73,278</u>	<u>1,651,949</u>
Total capital assets being depreciated, net	<u>699,269</u>	<u>(8,559)</u>	<u>-</u>	<u>690,710</u>
Governmental activities capital assets, net	<u>\$ 768,269</u>	<u>\$ 172,445</u>	<u>\$ -</u>	<u>\$ 940,714</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 789,809	\$ -	\$ -	\$ 789,809
Furniture and equipment	35,051	-	-	35,051
Total capital assets being depreciated	<u>824,860</u>	<u>-</u>	<u>-</u>	<u>824,860</u>
Less accumulated depreciation for:				
Buildings	15,796	15,796	-	31,592
Furniture and equipment	26,487	2,421	-	28,908
Total accumulated depreciation	<u>42,283</u>	<u>18,217</u>	<u>-</u>	<u>60,500</u>
Business-type activities capital assets, net	<u>\$ 782,577</u>	<u>\$ (18,217)</u>	<u>\$ -</u>	<u>\$ 764,360</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 7,556
Other	7,105

Support services:

Administration	5,183
Transportation	<u>33,298</u>
	53,142

Unallocated depreciation	<u>31,876</u>
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Total governmental activities depreciation expense	<u><u>\$ 85,018</u></u>
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Business-type activities:

Food service operations	\$ 2,421
Daycare operations	<u>15,796</u>

Total business-type activities depreciation expense	<u><u>\$ 18,217</u></u>
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CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2005 is as follows:

	Early Retirement	General Obligation Bonds	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ -	\$ -	\$ 50,419	\$ 50,419
Additions	10,000	3,060,000	-	3,070,000
Reductions	-	-	50,419	50,419
Balance end of year	<u>\$ 10,000</u>	<u>\$ 3,060,000</u>	<u>\$ -</u>	<u>\$ 3,070,000</u>
Due within one year	<u>\$ 10,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five but not over age sixty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to \$10,000. No early retirement benefits were paid during the year ended June 30, 2005. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4.500 %	\$ 100,000	\$ 132,106	\$ 232,106
2007	4.500	105,000	127,606	232,606
2008	4.500	110,000	122,882	232,882
2009	4.500	115,000	117,932	232,932
2010	4.500	120,000	112,756	232,756
2011	4.500	125,000	107,356	232,356
2012	4.500	130,000	101,732	231,732
2013	4.500	135,000	95,881	230,881
2014	3.750	140,000	89,806	229,806
2015	3.875	145,000	84,556	229,556
2016	3.950	150,000	78,938	228,938
2017	4.050	160,000	73,012	233,012
2018	4.150	165,000	66,532	231,532
2019	4.200	170,000	59,686	229,686
2020	4.250	180,000	52,546	232,546
2021	4.300	185,000	44,895	229,895
2022	4.400	195,000	36,940	231,940
2023	4.450	200,000	28,360	228,360
2024	4.500	210,000	19,460	229,460
2025	4.550	220,000	10,010	230,010
		<u>\$ 3,060,000</u>	<u>\$ 1,562,992</u>	<u>\$ 4,622,992</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2005 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 789,809
Additions	-
Reductions	<u>-</u>
Balance end of year	<u>\$ 789,809</u>
Due within one year	<u>\$ 7,560</u>

Capital Lease Purchase Agreement

During the year ended June 30, 2004, the District entered into an agreement with the City of Central City for the lease purchase of the daycare building.

Details of the District's capital lease purchase agreement indebtedness are as follows:

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Year Ending June 30,	Principal	Interest	Total
2006	\$ 7,560	\$ 44,175	\$ 51,735
2007	8,648	34,312	42,960
2008	8,943	34,017	42,960
2009	9,439	33,521	42,960
2010	9,863	33,097	42,960
2011	10,307	32,653	42,960
2012	10,681	32,279	42,960
2013	11,250	31,710	42,960
2014	11,756	31,204	42,960
2015	12,285	30,675	42,960
2016	12,754	30,206	42,960
2017	13,411	29,549	42,960
2018	14,014	28,946	42,960
2019	14,644	28,316	42,960
2020	15,226	27,734	42,960
2021	15,987	26,973	42,960
2022	16,706	26,254	42,960
2023	17,457	25,503	42,960
2024	18,175	24,785	42,960
2025	19,060	23,900	42,960
2026	19,917	23,043	42,960
2027	20,813	22,147	42,960
2028	21,691	21,269	42,960
2029	22,725	20,235	42,960
2030	23,747	19,213	42,960
2031	24,816	18,144	42,960
2032	25,886	17,074	42,960
2033	27,097	15,863	42,960
2034	28,316	14,644	42,960
2035	29,590	13,370	42,960
2036	30,889	12,071	42,960
2037	32,311	10,649	42,960
2038	33,765	9,195	42,960
2039	35,284	7,676	42,960
2040	36,856	6,104	42,960
2041	38,531	4,429	42,960
2042	40,265	2,695	42,960
2043	39,144	883	40,027
	\$ 789,809	\$ 848,513	\$ 1,638,322

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

The agreement is subject to the following provisions:

- 1) Any excess net revenues after payment of normal operating expenditures and capital lease payments are to be first applied to a use payment reserve account until \$42,960 has been accumulated in the account.
- 2) The source of payment is limited to revenues generated by the daycare facility and the agreement does not constitute a general obligation of the school district in any other manner.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$133,122, \$121,949, and \$121,946 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Central City Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$143,928 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.

Note 11. Deficit Balances

The District had an unreserved, undesignated fund deficit in the nonmajor Special Revenue, Physical Plant and Equipment Levy Fund of \$117,276 at June 30, 2005. The nonmajor Special Revenue, Student Activity Fund also had several deficit accounts at June 30, 2005.

Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
RECEIPTS:						
Local sources	\$ 1,545,842	\$ 401,035	\$ 1,946,877	\$ 1,722,203	\$ 1,722,203	\$ 224,674
State sources	2,301,128	2,500	2,303,628	2,341,859	2,341,859	(38,231)
Federal sources	126,060	126,406	252,466	190,000	190,000	62,466
Total receipts	3,973,030	529,941	4,502,971	4,254,062	4,254,062	248,909
DISBURSEMENTS:						
Instruction	2,326,059	-	2,326,059	2,650,180	2,650,180	324,121
Support services	1,247,485	-	1,247,485	1,330,670	1,330,670	83,185
Non-instructional programs	-	473,961	473,961	280,000	509,000	35,039
Other expenditures	385,295	-	385,295	186,397	510,137	124,842
Total disbursements	3,958,839	473,961	4,432,800	4,447,247	4,999,987	567,187
Excess (deficiency) of receipts over (under) disbursements	14,191	55,980	70,171	(193,185)	(745,925)	816,096
Other financing sources, net	3,060,804	-	3,060,804	-	-	3,060,804
Excess (deficiency) of receipts and other financing sources over (under) disbursements	3,074,995	55,980	3,130,975	(193,185)	(745,925)	3,876,900
Balance beginning of year	978,710	24,812	1,003,522	861,812	861,812	141,710
Balance end of year	<u>\$ 4,053,705</u>	<u>\$ 80,792</u>	<u>\$ 4,134,497</u>	<u>\$ 668,627</u>	<u>\$ 115,887</u>	<u>\$ 4,018,610</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 3,973,030	\$ 131,267	\$ 4,104,297
Expenditures	3,958,839	73,319	4,032,158
Net	14,191	57,948	72,139
Other financing sources (uses)	3,060,804	-	3,060,804
Beginning fund balances	978,710	(279,495)	699,215
Ending fund balances	<u>\$ 4,053,705</u>	<u>\$ (221,547)</u>	<u>\$ 3,832,158</u>
	Proprietary Funds		
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 529,941	\$ 5,232	\$ 535,173
Expenses	473,961	13,038	486,999
Net	55,980	(7,806)	48,174
Beginning net assets	24,812	(34,483)	(9,671)
Ending net assets	<u>\$ 80,792</u>	<u>\$ (42,289)</u>	<u>\$ 38,503</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 disbursements by \$552,740.

During the year ended June 30, 2005, disbursements in the non-instructional programs function exceeded the amount budgeted prior to the amendment of the budget.

Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	\$ 35,186	\$ 107,314	\$ -	\$ -	142,500
Receivables:					
Property tax:					
Current year	540	-	1,483	-	2,023
Succeeding year	45,164	-	77,917	210,107	333,188
Total assets	\$ <u>80,890</u>	\$ <u>107,314</u>	\$ <u>79,400</u>	\$ <u>210,107</u>	\$ <u>477,711</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 9,618	\$ -	\$ -	9,618
Interfund payable	-	-	118,759	-	118,759
Deferred revenue:					
Succeeding year property tax	45,164	-	77,917	210,107	333,188
Total liabilities	45,164	9,618	196,676	210,107	461,565
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	35,726	97,696	(117,276)	-	16,146
Total liabilities and fund equity	\$ <u>80,890</u>	\$ <u>107,314</u>	\$ <u>79,400</u>	\$ <u>210,107</u>	\$ <u>477,711</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 29,920	\$ -	\$ 85,392	\$ -	\$ 115,312
Other	-	134,993	2,500	-	137,493
Total revenues	29,920	134,993	87,892	-	252,805
Expenditures:					
Current:					
Instruction:					
Other instruction	-	125,805	-	-	125,805
Support services:					
Administration services	59,178	-	-	-	59,178
Operation and maintenance of plant services	-	-	845	-	845
Other expenditures:					
Facilities acquisition	-	-	177,098	-	177,098
Long term debt:					
Principal	-	-	-	50,419	50,419
Interest and fiscal charges	-	-	-	3,605	3,605
Total expenditures	59,178	125,805	177,943	54,024	416,950
Excess (deficiency) of revenues over (under) expenditures	(29,258)	9,188	(90,051)	(54,024)	(164,145)
Other financing sources:					
Interfund transfers in	-	-	-	54,024	54,024
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(29,258)	9,188	(90,051)	-	(110,121)
Fund balances beginning of year	64,984	88,508	(27,225)	-	126,267
Fund balances end of year	\$ 35,726	\$ 97,696	\$ (117,276)	\$ -	\$ 16,146

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

June 30, 2005

	<u>School Nutrition</u>	<u>Pre- kindergarten</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 21,582	\$ 86	\$ 21,668
Accounts receivable	1,458	-	1,458
Inventories	9,630	-	9,630
Capital assets, net of accumulated depreciation	6,143	-	6,143
Total assets	<u>38,813</u>	<u>86</u>	<u>38,899</u>
Liabilities			
Salaries and benefits payable	10,350	-	10,350
Deferred revenue	1,773	-	1,773
Total liabilities	<u>12,123</u>	<u>-</u>	<u>12,123</u>
Net Assets			
Invested in capital assets	6,143	-	6,143
Unrestricted	20,547	86	20,633
Total net assets	<u>\$ 26,690</u>	<u>\$ 86</u>	<u>\$ 26,776</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 Year Ended June 30, 2005

	<u>School Nutrition</u>	<u>Pre- kindergarten</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 96,025	\$ -	\$ 96,025
Operating expenses:			
Non-instructional programs:			
Food and community service operations:			
Salaries	58,251	-	58,251
Benefits	7,165	-	7,165
Purchased services	419	-	419
Supplies	78,263	25	78,288
Depreciation	2,421	-	2,421
Other	94	189	283
Total operating expenses	<u>146,613</u>	<u>214</u>	<u>146,827</u>
Operating loss	<u>(50,588)</u>	<u>(214)</u>	<u>(50,802)</u>
Non-operating revenues:			
Interest on investments	87	-	87
State sources	2,500	-	2,500
Federal sources	63,257	-	63,257
Total non-operating revenues	<u>65,844</u>	<u>-</u>	<u>65,844</u>
Change in net assets	15,256	(214)	15,042
Net assets beginning of year	<u>11,434</u>	<u>300</u>	<u>11,734</u>
Net assets end of year	<u>\$ 26,690</u>	<u>\$ 86</u>	<u>\$ 26,776</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
Year Ended June 30, 2005

	<u>School Nutrition</u>	<u>Pre- kindergarten</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 96,660	\$ -	\$ 96,660
Cash received from miscellaneous operating activities	180	-	180
Cash payments to employees for services	(65,089)	-	(65,089)
Cash payments to suppliers for goods or services	<u>(71,516)</u>	<u>(214)</u>	<u>(71,730)</u>
Net cash used in operating activities	<u>(39,765)</u>	<u>(214)</u>	<u>(39,979)</u>
Cash flows from non-capital financing activities:			
State grants received	2,500	-	2,500
Federal grants received	<u>53,002</u>	<u>-</u>	<u>53,002</u>
Net cash provided by non-capital financing activities	<u>55,502</u>	<u>-</u>	<u>55,502</u>
Cash flows from investing activities:			
Interest on investments	<u>87</u>	<u>-</u>	<u>87</u>
Net increase (decrease) in cash and cash equivalents	15,824	(214)	15,610
Cash and cash equivalents at beginning of year	<u>5,758</u>	<u>300</u>	<u>6,058</u>
Cash and cash equivalents at end of year	<u>\$ 21,582</u>	<u>\$ 86</u>	<u>\$ 21,668</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (50,588)	\$ (214)	\$ (50,802)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	2,421	-	2,421
Commodities used	10,255	-	10,255
Decrease in accounts receivable	753	-	753
(Increase) in inventories	(2,995)	-	(2,995)
Increase in salaries and benefits payable	327	-	327
Increase in deferred revenue	<u>62</u>	<u>-</u>	<u>62</u>
Net cash used in operating activities	<u>\$ (39,765)</u>	<u>\$ (214)</u>	<u>\$ (39,979)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$10,255 of federal commodities.

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	-	310	\$ (310)
Vocal Music	-	1,399	1,399	-
Musical	-	1,290	1,252	38
Band/Choir Fundraiser	677	3,461	3,975	163
Instrumental Music	-	2,044	2,044	-
Choir Fees	1,195	463	-	1,658
Instrumental Rental	2,722	445	995	2,172
Band Uniforms	(347)	-	-	(347)
Color Guard	(103)	-	-	(103)
Summer Weight Program	1,274	-	-	1,274
Athletic Gate Receipts	-	3,303	3,303	-
Athletic Pop Sales	3,877	1,154	-	5,031
Golf	(10)	130	120	-
Boys Basketball	-	3,821	3,821	-
Football	-	9,802	9,802	-
District Football	143	(143)	-	-
Baseball	(217)	3,065	2,955	(107)
Boys Track	-	1,563	1,563	-
Wrestling	-	4,883	5,065	(182)
Girls Basketball	-	2,110	2,110	-
Volleyball	-	3,794	3,794	-
Softball	(356)	6,113	5,757	-
Girls Track	-	1,638	1,638	-
Computer Software	196	(196)	-	-
KQEL	34	(34)	-	-
Conference Leadership	149	-	-	149
Library Book Fair	1,478	6,197	5,914	1,761
Pictures	3,496	63	-	3,559
Playground	1,035	-	-	1,035
Ice Cream Machine	(1,187)	2,278	1,226	(135)
Project Stretch	10	(10)	-	-
Middle School Publications	147	-	-	147
Cheerleading	(1,051)	1,051	-	-
Class of 2000	735	-	-	735
Class of 2001	1,767	-	-	1,767
Class of 2002	711	-	-	711
Class of 2003	59	-	-	59
Class of 2004	2,055	-	714	1,341

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2005	\$ 2,378	\$ 2,008	\$ 2,534	\$ 1,852
Class of 2006	3,524	844	1,678	2,690
Class of 2007	1,482	737	-	2,219
Class of 2008	1,300	575	-	1,875
Class of 2009	3,564	7,643	6,280	4,927
Class of 2010	984	5,264	4,990	1,258
Class of 2011	-	6,644	6,142	502
FFA	6,792	8,586	12,967	2,411
MOC	615	(615)	-	-
National Honor Society	1,304	1,570	567	2,307
Spanish Club	19	(19)	-	-
Student Council	3,362	3,561	2,772	4,151
Renaissance Club	197	(197)	-	-
Art Club	2,583	3,230	4,177	1,636
Foods Club	76	(76)	-	-
Student Wellness	18	(18)	-	-
MS Cheerleading	189	-	175	14
MS Student Council	344	541	500	385
Grandparents' Day	43	(43)	-	-
Elementary Pictures	1,539	1,907	486	2,960
School Cents	11,010	10,563	1,335	20,238
Student Projects	909	453	(110)	1,472
Greenhouse	3,098	1,173	1,228	3,043
Yearbook	(9,517)	3,805	6,620	(12,332)
Pep Bus	335	-	-	335
Interest	22,998	867	781	23,084
General Courtesy Account	4,685	5,579	5,334	4,930
Football Cheerleading	755	2,209	1,842	1,122
Basketball Cheerleading	(68)	16	26	(78)
Wrestling Cheerleading	253	1,142	871	524
Sassmeisters	3,988	6,550	6,711	3,827
SODA	111	(111)	-	-
CSB Student Projects	250	-	-	250
Variety Show	899	921	142	1,678
Total	\$ 88,508	\$ 134,993	\$ 125,805	\$ 97,696

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,169,740	\$ 1,139,440	\$ 1,121,353	\$ 1,070,451
Tuition	157,642	150,333	148,808	101,604
Other	323,758	239,620	219,217	279,813
Intermediate sources	-	13,206	36,047	10,489
State sources	2,301,520	2,279,041	2,218,039	2,167,754
Federal sources	151,637	153,028	91,349	59,779
Total revenues	\$ 4,104,297	\$ 3,974,668	\$ 3,834,813	\$ 3,689,890
Expenditures:				
Instruction:				
Regular instruction	\$ 1,629,864	\$ 1,543,750	\$ 1,559,918	\$ 1,527,799
Special instruction	405,754	543,154	528,520	449,451
Other instruction	356,001	316,959	349,786	332,873
Support services:				
Student services	111,030	126,155	120,522	122,422
Instructional staff services	127,729	117,756	144,488	113,814
Administration services	527,429	514,472	502,606	506,561
Operation and maintenance of plant services	281,444	254,197	245,129	259,555
Transportation services	207,612	122,707	242,668	135,236
Other expenditures:				
Facilities acquisition	187,343	24,953	-	126,590
Long-term debt:				
Principal	50,419	23,615	14,858	14,088
Interest and fiscal charges	3,605	3,255	605	1,375
AEA flowthrough	143,928	146,548	152,747	153,263
Total expenditures	\$ 4,032,158	\$ 3,737,521	\$ 3,861,847	\$ 3,743,027

See accompanying independent auditor's report.

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
Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central City Community School District 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 21, 2005. 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 City Community School District'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 I of the accompanying Schedule of Findings.

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 items I-A-05 and I-B-05 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Central City Community School 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 City Community School District and other parties to whom Central City Community School District 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 City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 21, 2005

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank deposits, bank reconciliations, signing and distributing of checks and the posting of cash journals are all done by the same person.

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 deemed necessary.

Conclusion – Response accepted.

I-B-05 Bank Reconciliations – We noted that bank reconciliations for the Capital Projects Fund were not performed and reconciled to the general ledger during the year ended June 30, 2005. Also, the General Fund bank reconciliations were not reconciled to the general ledger. We noted that the outstanding checks from prior years of \$3,461 were omitted from the General Fund bank reconciliations.

Recommendation – All bank accounts should be reconciled each month and tied to the general ledger.

Response – Bank reconciliations for all accounts will be done monthly in the future and tied to the general ledger.

Conclusion – Response accepted.

I-C-05 Fundraisers – We noted that fundraisers of student organizations are not approved by the administration. Also, the control procedures over fundraising activities are very lax.

Recommendation – The District should ensure that all fundraisers are reviewed and approved by the appropriate member of the administration before the event occurs. Also, a listing of the ongoing fundraising activities should be provided to the appropriate accounting personnel. An accounting of the estimated and actual profit and loss of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-05 Deposits to Bank Account – Out of twenty-one receipts tested, one receipt from the General Fund was not deposited to the bank on a timely basis.
- Recommendation – We recommend deposits be made more often to further safeguard the asset and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.
- Response – We will implement procedures to ensure deposits are made on a timely basis.
- Conclusion – Response accepted.
- I-E-05 Disbursements – Out of forty disbursements tested, one was only partially supported by an invoice or receipt and one was paid from a statement only with no detail support.
- Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.
- Response – We will make sure that all future disbursements are properly supported.
- Conclusion – Response accepted.
- I-F-05 Gate Admissions - The athletic event gate admissions and change box were not reconciled with prenumbered tickets.
- Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.
- Response – We will review our procedures regarding athletic event admissions and change our procedures as we deem necessary.
- Conclusion – Response accepted.
- I-G-05 Payroll Timesheets – We noted that hourly employees do not fill out a timesheet unless they have overtime or extra pay. The District does not have any way to monitor the total hours worked required by the contract.
- Recommendation – All hourly employees should fill out timesheets for their hours worked. The District should monitor the hours worked to ensure that the contracted hours have actually been worked by each employee. This monitoring should be documented by having someone authorize the timesheets by initializing or signing the time sheet.
- Response – We will review our payroll procedures and change our procedures as we deem necessary.
- Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-H-05 Untimely Receipt Posting – We noted that the General and Schoolhouse Funds receipts were not being posted to the general ledger until several months after the transaction dates. Also, the Student Nutrition and ABC Childcare Funds receipts for the entire year were not posted until June.

Recommendation – All receipts should be immediately posted to the correct account to prevent possible mistakes in posting records and to protect the underlying asset.

Response – We are aware of the problem and will search for alternatives to correct the situation.

Conclusion – Response accepted.

I-I-05 Authorized Signatures – A bank confirmation indicated the name of a former employee who is still listed as an authorized signer on five FFA certificates of deposit.

Recommendation – The District should obtain and prepare proper authorization cards for all accounts at all banks in which the District deposits District funds.

Response – We will obtain and prepare proper authorization cards.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the non-instructional programs function prior to the amendment of the budget.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response – We will amend our budget before disbursements exceed the budget.
- Conclusion – Response accepted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-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.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-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.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2004 was overstated by five students. The District’s certified enrollment count included five students counted as both resident students and tuitioned in students.
- Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response – We will contact the Iowa Department of Education and the Department of Management.
- Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-I-05 Deposits and Investments – 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 were noted.
- II-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.
- II-K-05 Financial Condition – The District had an unreserved, undesignated fund deficit in the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund of \$117,276 as of June 30, 2005. In addition, the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts.

Recommendation – The District needs to explore alternatives to restore the PPEL Fund to a sound financial condition. Each Student Activity account should be self-supporting to the extent possible. An organization should not continually be allowed to expend more money than it generates. The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate these deficits.

Response – We are working on this.

Conclusion – Response accepted.

- II-L-05 Student Activity Fund – We noted balances and transactions being recorded through the Special Revenue, Student Activity Fund such as instrument rentals that would more appropriately be accounted for in the General Fund.

Recommendation – The Student Activity Fund is to be used to account for money received from student related activities such as admission, activity fees, student dues, student fundraising events, or other student related cocurricular activities as stated in the administrative rules of the Department of Education.

Response – We will review these accounts and transfer items to more appropriate funds. We will look at the remaining accounts and determine which fund would be more appropriate for them.

Conclusion – Response accepted.

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