

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

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

JUNE 30, 2006

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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 2005 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>Board of Education</u>		
(After September 2005 Election)		
Kirk Hayes	President	2007
David Goodlove	Vice President	2006
Sue Pillard	Board Member	2008
Jara Pavlis	Board Member	2006
Teresa Uhlenkamp	Board Member	2008
<u>School Officials</u>		
William Mertens	Superintendent	2006
Karla Hogan	District Secretary/Treasurer	2006
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, the 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, 2006, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District as of June 30, 2006, 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, 2006 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, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 21, 2006

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, 2006. 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 4% growth for the 2005–2006 school year.
- The General Fund undesignated unreserved fund balance increased from \$744,009 in fiscal year 2005 to \$877,689 in fiscal year 2006. This equates to a 22.78% solvency ratio.
- The increase in General Fund revenue was attributable to an increase in state revenue in fiscal year 2006.

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.

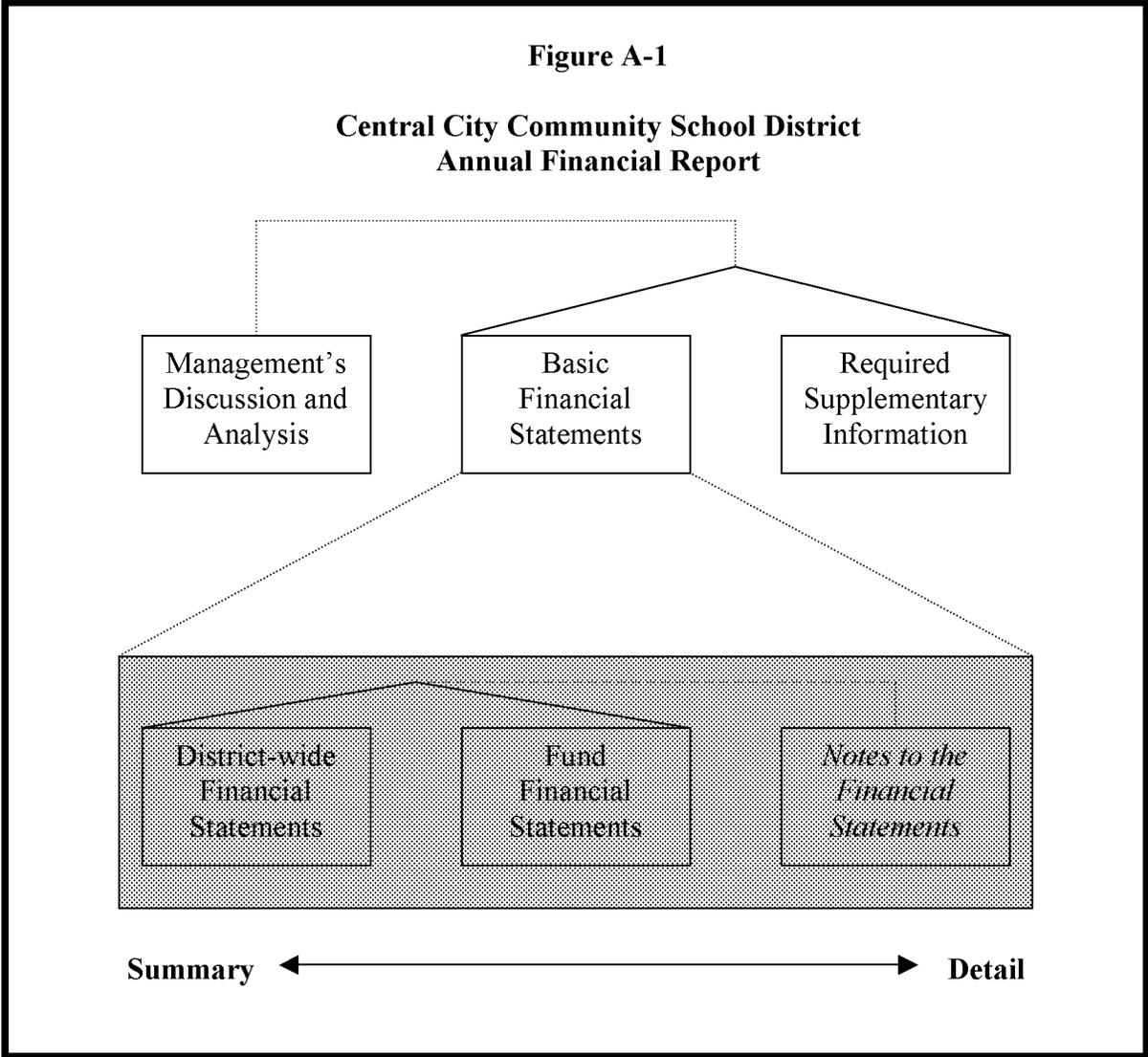


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents 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. The current and other assets experienced a double-digit percentage decrease, capital assets experienced a double-digit increase and the combined total liabilities experienced a double-digit increase. Current and other assets decreased 25.68%, capital assets increased by 72.20% and other liabilities decreased by 24.95%. The decrease in Current and other assets and the decrease in other liabilities are due to the fact that the District no longer participates in the ISCAP Program. The large increase in capital assets is because of the construction in progress for the new high school addition.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
Current and other assets	6,208,308	4,586,478	108,864	108,618	6,317,166	4,695,096	-25.68%
Capital assets	940,714	2,187,006	764,360	749,208	1,705,074	2,936,214	72.20%
Total Assets	7,149,016	6,773,484	873,224	857,826	8,022,240	7,631,310	-4.87%
Long-term obligations	3,070,000	2,980,000	789,809	781,487	3,859,809	3,761,487	-2.55%
Other liabilities	2,398,162	1,773,600	44,912	59,805	2,443,074	1,833,405	-24.95%
Total Liabilities	5,468,162	4,753,600	834,721	841,292	6,302,883	5,594,892	-11.23%
Net assets:							
Investment in capital assets, net of related debt	940,714	1,115,135	(25,449)	(32,279)	915,265	1,082,856	18.31%
Restricted	135,425	127,314	0	0	135,425	127,314	-5.99%
Unrestricted	604,715	777,435	63,952	48,813	668,667	826,248	23.57%
Total Net Assets	1,680,854	2,019,884	38,503	16,534	1,719,357	2,036,418	18.44%

Investment in capital assets (e.g. land, buildings, furniture and equipment) less any outstanding debt used to acquire those assets is \$1,082,856. 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 \$127,314 of net assets reflects amounts with external restrictions to which the funds can be used. The remaining balance of \$826,248 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.

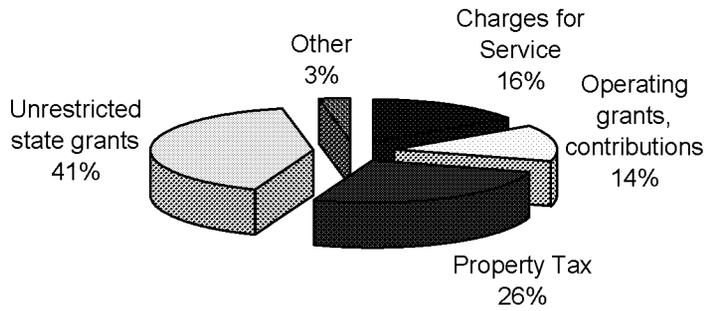
Changes in Net Assets as shown in Figure A-4 below, illustrates that the District as a whole experienced a 9.32 percent increase in operating revenue while experiencing a 9.92 percent increase in expenses. Property taxes and unrestricted state aid account for most of the district's revenue, with each contributing approximately 26 percent and 41 percent respectively of the total dollars raised (See Figure A-5).

Total cost for all programs and services rose 9.92 percent to \$4,755,665. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (54%) are devoted to direct Instruction. The bulk of the 6.1 percent increase in instruction is due to negotiated salary and benefit increases. Another 26 percent is spent on Support Services.

Figure A-4
Changes in Net Assets

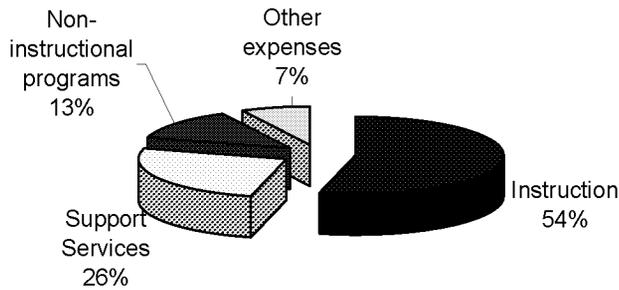
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2005-2006
	2005	2006	2005	2006	2005	2006	
Revenues:							
Program Revenues:							
Charges for Service	342,952	385,905	399,947	395,465	742,899	781,370	5.18%
Operating grants and contributions and restricted interest	452,914	499,473	135,067	201,514	587,981	700,987	19.22%
Capital grants and contributions and restricted interest	30,201	0	0	0	30,201	0	-30,201%
General Revenues:							
Property tax	1,169,740	1,337,134	0	0	1,169,740	1,337,134	14.48%
Unrestricted state grants	1,972,543	2,081,106	0	0	1,972,543	2,081,106	5.50%
Other	136,751	171,841	159	288	136,910	172,129	25.72%
Total Revenues	<u>4,105,101</u>	<u>4,475,459</u>	<u>535,173</u>	<u>597,267</u>	<u>4,640,274</u>	<u>5,072,726</u>	<u>9.32%</u>
Program Expenses:							
Governmental activities:							
Instruction	2,413,280	2,560,472	0	0	2,413,280	2,560,472	6.10%
Support Services	1,223,725	1,213,212	0	0	1,223,725	1,213,212	-.86%
Non-instructional programs	0	2,837	486,999	619,236	486,999	622,073	27.74%
Other expenses	202,384	359,908	0	0	202,384	359,908	77.83%
Total Expenses	<u>3,839,389</u>	<u>4,136,429</u>	<u>486,999</u>	<u>619,236</u>	<u>4,326,388</u>	<u>4,755,665</u>	<u>9.92%</u>
Changes in net assets	<u>265,712</u>	<u>339,030</u>	<u>48,174</u>	<u>(21,969)</u>	<u>313,886</u>	<u>317,061</u>	<u>1.01%</u>

**Figure A-5
Total Revenues for FY06**



The chart at the left shows that property tax and unrestricted state grants equates to 67% of the District's total revenue. Of the remaining 33%, 14% is from operating grants and contributions and restricted interest.

**Figure A-6
Total Expenses for FY06**



The chart to the left represents the District's total expenses for the fiscal year 2005-2006. Instruction and support services account for 80% of the District's expenses.

Governmental Activities

Revenues for governmental activities were \$4,475,459; a 9.02 percent increase and expenses were \$4,136,429, a 7.74 percent increase. This left a net change in assets of \$339,030. There was an increase in the Student Activity Fund of \$15,028. The remaining net change in assets was due to increased revenue compared to fiscal year 2005. The increased revenues can be credited to the efforts of the district to keep a strong financial position:

- Following a year in which the state gave us only a 2% increase in allowable growth.
- To be fiscally responsible, the district assessed management fund taxes for \$50,000 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 \$60,000 to \$20,000.

The \$297,040 increase in governmental activity expenditures are mainly associated with the first full year's interest expenses on the General Obligation bonds for the new high school for \$131,762.

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.

FIGURE A-7						
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES						
	Total Cost of Services		Percentage Change	Net Cost of Service		Percentage Change
	2005	2006	2005-2006	2005	2006	2005-2006
Instruction	2,413,280	2,560,472	6.10%	1,764,398	1,831,087	3.78%
Support Services	1,223,725	1,213,212	.86%	1,220,669	1,208,163	-1.02%
Non-Instructional programs	0	2,837	2,837%	0	2,837	2,837%
Other Expenses	202,384	359,908	77.83%	28,255	208,964	639.56%
Totals	3,839,389	4,136,429	7.74%	3,013,322	3,251,051	7.89%

- The cost of all governmental activities this year was \$4,136,429.
- Some of the cost was financed by the users of the District's programs, (\$385,905).

- The federal and state governments subsidized certain programs with grants and contributions, (\$499,473).
- Most of the District's costs (\$3.251 million) were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$1.337 million in property taxes, and \$2.081 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 \$597,267 while expenses were \$619,236 (Refer to Figure A-4). At the present time, the two funds which comprise the business-type activities are the School Nutrition Fund and the ABC Childcare Fund. 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, 2006, the District's net assets decreased in the business-type activities by \$21,969.

- The School Nutrition fund cash and cash equivalents increased by \$3,346. The school nutrition cash is increasing due to management's decision to help finance the purchase of equipment and furniture in the new cafeteria/kitchen.
- ABC Childcare operating expenses exceeded operating and non-operating revenues by \$23,743. The Childcare had a negative net asset balance of \$12,016 on June 30, 2006. This was expected due to the Childcare operating at less than full capacity, changes in policies and the fact that we started paying back the principal/interest and sinking fund to the City. The Childcare's financial condition continues to be monitored closely by the District.

Financial Analysis of the District's Funds

At the end of fiscal year ended June 30, 2006, the District's governmental funds reported combined ending fund balances of \$2,834,146, a decrease of \$998,012 in comparison with the prior year. The General Fund balance increased by \$126,662 in fiscal year 2006. Most significantly, a Capital Projects Fund had an ending fund balance of \$1,888,129, a decrease of \$1,172,045 due to the high school building project being started. The Physical Plant and Equipment Levy Fund increased by \$32,000. This increase was due to a management decision to decrease the deficit in this fund. The Management Levy Fund balance dropped from \$35,726 to \$25,994. This decline was due to a management decision to levy only \$50,000 in taxes in this fund during the current year, not enough to cover all the expenses. Management will be levying \$65,000 next year to cover all the costs associated with this fund.

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 decreased by \$23,743. The School Nutrition fund ending fund balance increased by \$1,860, which will help with the additional cost of the new cafeteria, scheduled to open in the early spring of 2007.

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 was prepared according to cash basis accounting. However, the Department of Education is requiring all districts to convert to GAAP basis budgeting for the 2006 – 2007 budget year. 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 expenses of the ABC Childcare. 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 \$268,047 higher than the total budgeted revenues, a variance of 5.58%. The most significant change resulted in the District receiving more from local and federal sources than originally anticipated.

Total expenditures were less than budgeted by \$2,055,788, due primarily to the District's budget for capital projects. The high school building project's actual construction started later in the year than expected because after the first bidding process the low bid was approximately 1 million dollars over the architect's preliminary budget. It is also the District's practice to budget the expenditures closer to the maximum authorized spending authority for the General Fund. The District then manages and 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, 2006, amounts to \$2,936,214 (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 \$1,231,140 or 72.20 percent from last year.

The biggest change in comparing fiscal year 2006 with the previous year is in the Construction in Progress category. This was due to the high school building project not being completed during fiscal year 2006.

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

	Governmental Activities		Business- Type Activities		Total School District		Total Change
	2005	2006	2005	2006	2005	2006	2005- 2006
Land	\$ 69	\$ 69	-	-	\$ 69	\$ 69	0.00%
Construction In Progress	181	1,489	0	0	181	1,489	722.83%
Buildings	507	479	\$758	\$742	1,265	1,221	-3.50%
Furniture/Equipment	183	150	6	7	189	157	-16.93%
Totals	\$940	\$2,187	\$764	\$749	\$1,704	\$2,936	72.30%

Long-Term Liabilities

At year-end, the District had \$2,960,000 in general obligation bonds outstanding and \$20,000 in early retirement. This represents a decrease of \$90,000 over the previous fiscal year as can be seen in Figure A-9 below. 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
	2005	2006	2005-2006
General Obligation Bonds	3,060,000	2,960,000	-3.27%
Early Retirement	10,000	20,000	100.00%
TOTAL	3,070,000	2,980,000	-2.93%

Factors Bearing on the District's Future

At the time of these financial statements were prepared and audited, the District is aware of three 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.
- 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.
- A School Infrastructure Local Option (SILO) tax is being voted on by Linn County voters on February 13, 2007. If passed this tax would generate approximately \$500,000 per year for the district for the first five years of the tax.

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, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,268,990	\$ 85,781	\$ 3,354,771
Receivables:			
Property tax:			
Current year	23,942	-	23,942
Succeeding year	1,164,375	-	1,164,375
Accrued interest	5,727	-	5,727
Accounts	781	14,472	15,253
Due from other governments	117,852	1,136	118,988
Inventories	-	7,229	7,229
Prepaid expenses	4,811	-	4,811
Capital assets, net of accumulated depreciation (note 6)	2,187,006	749,208	2,936,214
Total assets	6,773,484	857,826	7,631,310
Liabilities			
Accounts payable	246,041	1,868	247,909
Salaries and benefits payable	341,916	55,511	397,427
Accrued interest payable	21,268	-	21,268
Deferred revenue:			
Succeeding year property tax	1,164,375	-	1,164,375
Other	-	2,426	2,426
Long-term liabilities (note 7):			
Portion due within one year:			
Early retirement	20,000	-	20,000
Bonds payable	105,000	-	105,000
Capital lease purchase agreement	-	8,679	8,679
Portion due after one year:			
Bonds payable	2,855,000	-	2,855,000
Capital lease purchase agreement	-	772,808	772,808
Total liabilities	4,753,600	841,292	5,594,892

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,115,135	\$ (32,279)	\$ 1,082,856
Restricted for:			
Management levy	5,994	-	5,994
Other special revenue purposes	121,320	-	121,320
Unrestricted	<u>777,435</u>	<u>48,813</u>	<u>826,248</u>
Total net assets	<u>\$ 2,019,884</u>	<u>\$ 16,534</u>	<u>\$ 2,036,418</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

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	\$ 1,684,679	\$ 216,211	\$ 272,608	\$ -
Special instruction	505,947	41,931	62,295	-
Other instruction	369,846	125,763	10,577	-
	<u>2,560,472</u>	<u>383,905</u>	<u>345,480</u>	<u>-</u>
Support services:				
Student services	84,273	-	-	-
Instructional staff services	133,946	-	-	-
Administration services	487,136	-	-	-
Operation and maintenance of plant services	343,068	2,000	-	-
Transportation services	164,789	-	3,049	-
	<u>1,213,212</u>	<u>2,000</u>	<u>3,049</u>	<u>-</u>
Non-instructional programs	<u>2,837</u>	-	-	-
Other expenditures:				
Facilities acquisition	57,551	-	1,849	-
Long-term debt interest and fiscal charges	131,762	-	-	-
AEA flowthrough	149,095	-	149,095	-
Depreciation (unallocated) *	21,500	-	-	-
	<u>359,908</u>	<u>-</u>	<u>150,944</u>	<u>-</u>
Total governmental activities	<u>4,136,429</u>	<u>385,905</u>	<u>499,473</u>	<u>-</u>
Business-Type Activities:				
Support services:				
Administration services	37,378	-	-	-
Operation and maintenance of plant services	18,302	-	-	-
Transportation services	24	-	-	-
	<u>55,704</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,195,860)	\$ -	\$ (1,195,860)
(401,721)	-	(401,721)
(233,506)	-	(233,506)
(1,831,087)	-	(1,831,087)
(84,273)	-	(84,273)
(133,946)	-	(133,946)
(487,136)	-	(487,136)
(341,068)	-	(341,068)
(161,740)	-	(161,740)
(1,208,163)	-	(1,208,163)
(2,837)	-	(2,837)
(55,702)	-	(55,702)
(131,762)	-	(131,762)
-	-	-
(21,500)	-	(21,500)
(208,964)	-	(208,964)
(3,251,051)	-	(3,251,051)
-	(37,378)	(37,378)
-	(18,302)	(18,302)
-	(24)	(24)
-	(55,704)	(55,704)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 169,996	\$ 102,130	\$ 69,772	\$ -
Daycare operations	393,536	293,335	131,742	-
	<u>563,532</u>	<u>395,465</u>	<u>201,514</u>	<u>-</u>
Total business-type activities	<u>619,236</u>	<u>395,465</u>	<u>201,514</u>	<u>-</u>
Total	<u>\$ 4,755,665</u>	<u>\$ 781,370</u>	<u>\$ 700,987</u>	<u>\$ -</u>

General Revenues:

Property tax levied for:

General purposes
Debt service
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>
\$	-	\$ 1,906	\$ 1,906
	-	31,541	31,541
	-	33,447	33,447
	-	(22,257)	(22,257)
	(3,251,051)	(22,257)	(3,273,308)
\$	1,018,331	-	\$ 1,018,331
	232,562	-	232,562
	86,241	-	86,241
	2,081,106	-	2,081,106
	137,741	288	138,029
	34,100	-	34,100
	3,590,081	288	3,590,369
	339,030	(21,969)	317,061
	1,680,854	38,503	1,719,357
\$	<u>2,019,884</u>	<u>\$ 16,534</u>	<u>\$ 2,036,418</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 1,033,648	\$ 2,036	\$ 2,086,555	\$ 146,751	\$ 3,268,990
Receivables:					
Property tax:					
Current year	16,928	4,480	-	2,534	23,942
Succeeding year	833,918	198,890	-	131,567	1,164,375
Accrued interest	-	-	5,488	239	5,727
Interfund receivable (note 4)	87,498	-	-	-	87,498
Accounts	308	-	-	473	781
Due from other governments	117,852	-	-	-	117,852
Prepaid expenses	4,811	-	-	-	4,811
	<hr/>				
Total assets	<u>\$ 2,094,963</u>	<u>\$ 205,406</u>	<u>\$ 2,092,043</u>	<u>\$ 281,564</u>	<u>\$ 4,673,976</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 36,629	\$ -	\$ 203,914	\$ 5,498	\$ 246,041
Salaries and benefits payable	341,916	-	-	-	341,916
Interfund payable (note 4)	-	5,037	-	82,461	87,498
Deferred revenue:					
Succeeding year property tax	833,918	198,890	-	131,567	1,164,375
Total liabilities	<u>1,212,463</u>	<u>203,927</u>	<u>203,914</u>	<u>219,526</u>	<u>1,839,830</u>
Fund balance:					
Reserved for:					
Prepaid expenses	4,811	-	-	-	4,811
Debt service	-	1,479	-	-	1,479
Unreserved:					
Reported in nonmajor Special					
Revenue Funds	-	-	-	62,038	62,038
Undesignated	877,689	-	1,888,129	-	2,765,818
Total fund balances	<u>882,500</u>	<u>1,479</u>	<u>1,888,129</u>	<u>62,038</u>	<u>2,834,146</u>
Total liabilities and fund balances	<u>\$ 2,094,963</u>	<u>\$ 205,406</u>	<u>\$ 2,092,043</u>	<u>\$ 281,564</u>	<u>\$ 4,673,976</u>

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, 2006

Total fund balances of governmental funds	\$ 2,834,146
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.	2,187,006
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.	(21,268)
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>(2,980,000)</u>
Net assets of governmental activities	<u>\$ 2,019,884</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, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 967,395	\$ 232,562	\$ -	\$ 136,207	\$ 1,336,164
Tuition	176,263	-	-	-	176,263
Other	129,076	328	110,773	137,031	377,208
State sources	2,444,228	-	-	-	2,444,228
Federal sources	135,472	-	-	1,849	137,321
Total revenues	<u>3,852,434</u>	<u>232,890</u>	<u>110,773</u>	<u>275,087</u>	<u>4,471,184</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,667,123	-	-	-	1,667,123
Special instruction	505,948	-	-	-	505,948
Other instruction	253,102	-	-	109,260	362,362
	<u>2,426,173</u>	<u>-</u>	<u>-</u>	<u>109,260</u>	<u>2,535,433</u>
Support services:					
Student services	84,274	-	-	-	84,274
Instructional staff services	133,947	-	-	-	133,947
Administration services	466,824	-	-	18,900	485,724
Operation and maintenance of plant services	305,220	-	-	44,544	349,764
Transportation services	129,801	-	-	-	129,801
	<u>1,120,066</u>	<u>-</u>	<u>-</u>	<u>63,444</u>	<u>1,183,510</u>
Non-instructional programs	2,837	-	-	-	2,837
Other expenditures:					
Facilities acquisition	-	-	1,281,717	84,192	1,365,909
Long term debt:					
Principal	-	100,000	-	-	100,000
Interest and fiscal charges	-	132,512	-	-	132,512
AEA flowthrough	149,095	-	-	-	149,095
	<u>149,095</u>	<u>232,512</u>	<u>1,281,717</u>	<u>84,192</u>	<u>1,747,516</u>
Total expenditures	<u>3,698,171</u>	<u>232,512</u>	<u>1,281,717</u>	<u>256,896</u>	<u>5,469,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>154,263</u>	<u>378</u>	<u>(1,170,944)</u>	<u>18,191</u>	<u>(998,112)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 100	\$ -	\$ -	\$ -	100
Interfund transfers in	-	1,101	-	27,701	28,802
Interfund transfers out	(27,701)	-	(1,101)	-	(28,802)
Total other financing sources (uses)	<u>(27,601)</u>	<u>1,101</u>	<u>(1,101)</u>	<u>27,701</u>	<u>100</u>
Net change in fund balances	126,662	1,479	(1,172,045)	45,892	(998,012)
Fund balances beginning of year	<u>755,838</u>	-	3,060,174	16,146	3,832,158
Fund balances end of year	<u>\$ 882,500</u>	<u>\$ 1,479</u>	<u>\$ 1,888,129</u>	<u>\$ 62,038</u>	<u>\$ 2,834,146</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, 2006

Net change in fund balances - total governmental funds \$ (998,012)

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:

	Expenditures for capital assets	\$ 1,319,230	
	Depreciation expense	<u>(72,938)</u>	1,246,292

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 100,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 750

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)

Change in net assets of governmental activities \$ 339,030

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	ABC Childcare	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 56,545	\$ 24,928	\$ 81,473
Cash with fiscal agent	4,308	-	4,308
Accounts receivable	14,472	-	14,472
Due from other governments	1,136	-	1,136
Inventories	-	7,229	7,229
Capital assets, net of accumulated depreciation	742,421	6,787	749,208
Total assets	<u>818,882</u>	<u>38,944</u>	<u>857,826</u>
Liabilities			
Accounts payable	1,868	-	1,868
Salaries and benefits payable	45,117	10,394	55,511
Deferred revenue	2,426	-	2,426
Long-term liabilities (note 7):			
Portion due within one year:			
Capital lease purchase agreement	8,679	-	8,679
Portion due after one year:			
Capital lease purchase agreement	772,808	-	772,808
Total liabilities	<u>830,898</u>	<u>10,394</u>	<u>841,292</u>
Net Assets			
Invested in capital assets, net of related debt	(39,066)	6,787	(32,279)
Unrestricted	27,050	21,763	48,813
Total net assets	<u>\$ (12,016)</u>	<u>\$ 28,550</u>	<u>\$ 16,534</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, 2006

	ABC Childcare	School Nutrition	Non Major Pre - Kindergarten	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 293,335	\$ 102,130	\$ -	\$ 395,465
Operating expenses:				
Support services:				
Administration services	37,260	118	-	37,378
Operation and maintenance of plant services	18,302	-	-	18,302
Transportation services	24	-	-	24
Non-instructional programs	393,450	169,996	86	563,532
	<u>449,036</u>	<u>170,114</u>	<u>86</u>	<u>619,236</u>
Operating loss	<u>(155,701)</u>	<u>(67,984)</u>	<u>(86)</u>	<u>(223,771)</u>
Non-operating revenues:				
Interest on investments	216	72	-	288
Contributions	5,085	-	-	5,085
State sources	-	2,347	-	2,347
Federal sources	126,657	67,425	-	194,082
Total non-operating revenues	<u>131,958</u>	<u>69,844</u>	<u>-</u>	<u>201,802</u>
Change in net assets	(23,743)	1,860	(86)	(21,969)
Net assets beginning of year	<u>11,727</u>	<u>26,690</u>	<u>86</u>	<u>38,503</u>
Net assets end of year	<u>\$ (12,016)</u>	<u>\$ 28,550</u>	<u>\$ -</u>	<u>\$ 16,534</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	ABC Childcare	School Nutrition	Non Major Pre - Kindergarten	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ -	\$ 101,815	\$ -	\$ 101,815
Cash received from miscellaneous operating activities	292,121	-	-	292,121
Cash payments to employees for services	(321,243)	(69,538)	-	(390,781)
Cash payments to suppliers for goods or services	(93,452)	(84,428)	(86)	(177,966)
Net cash used by operating activities	<u>(122,574)</u>	<u>(52,151)</u>	<u>(86)</u>	<u>(174,811)</u>
Cash flows from non-capital financing activities:				
Contributions received	5,085	-	-	5,085
State grants received	-	2,347	-	2,347
Federal grants received	127,324	55,828	-	183,152
Net cash provided by non-capital financing activities	<u>132,409</u>	<u>58,175</u>	<u>-</u>	<u>190,584</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(2,750)	-	(2,750)
Principal paid on capital lease	(8,322)	-	-	(8,322)
Net cash used by capital and related financing activities	<u>(8,322)</u>	<u>(2,750)</u>	<u>-</u>	<u>(11,072)</u>
Cash flows from investing activities:				
Interest on investments	216	72	-	288
Net increase (decrease) in cash and cash equivalents	1,729	3,346	(86)	4,989
Cash and cash equivalents beginning of year	59,124	21,582	86	80,792
Cash and cash equivalents end of year	<u>\$ 60,853</u>	<u>\$ 24,928</u>	<u>\$ -</u>	<u>\$ 85,781</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	ABC Childcare	School Nutrition	Non Major Pre - Kindergarten	Total
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	\$ (155,701)	\$ (67,984)	\$ (86)	\$ (223,771)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	15,796	2,106	-	17,902
Commodities used	-	11,597	-	11,597
(Increase) decrease in accounts receivable	(11,699)	1,458	-	(10,241)
Decrease in due from other governments	12,408	-	-	12,408
Decrease in inventories	-	2,401	-	2,401
Increase in accounts payable	327	-	-	327
Increase in salaries and benefits payable	18,218	44	-	18,262
(Decrease) in deferred revenue	(1,923)	(1,773)	-	(3,696)
Net cash used by operating activities	<u>\$ (122,574)</u>	<u>\$ (52,151)</u>	<u>\$ (86)</u>	<u>\$ (174,811)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$11,597 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Assets:		
Cash and pooled investments	\$ 62,712	
Accrued interest receivable		<u>507</u>
Total assets		<u>63,219</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>63,219</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>2,551</u>
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net assets	2,551
Net assets beginning of year	<u>60,668</u>
Net assets end of year	\$ <u><u>63,219</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Central City, Iowa, portions of the cities of Prairieburg, Waubeek, and Paris, Iowa, and 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 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, 2006

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

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

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 funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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, 2006

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, 2006

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. 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 in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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, 2006, 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, 2006

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 in the governmental funds consists of the succeeding year property tax receivable. Deferred revenue for proprietary funds and business-type activities consists of unearned daycare revenues.

Deferred revenue in the Statement of Net Assets for governmental activities 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, 2006

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, 2006.

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.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 2,085,016

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,101
Special Revenue:		
Physical Plant and Equipment Levy	General	27,701
Total		\$ 28,802

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Interfund Receivables and Payables

At June 30, 2006 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	\$ 82,461
Temporary Loan:		
General	Debt Service	5,037
Total		\$ 87,498

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.

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.

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, 2006.

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2006 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	1,308,358	-	1,489,362
Total capital assets not being depreciated	<u>250,004</u>	<u>1,308,358</u>	<u>-</u>	<u>1,558,362</u>
Capital assets being depreciated:				
Buildings	1,541,424	-	-	1,541,424
Furniture and equipment	801,235	10,872	-	812,107
Total capital assets being depreciated	<u>2,342,659</u>	<u>10,872</u>	<u>-</u>	<u>2,353,531</u>
Less accumulated depreciation for:				
Buildings	1,034,022	28,550	-	1,062,572
Furniture and equipment	617,927	44,388	-	662,315
Total accumulated depreciation	<u>1,651,949</u>	<u>72,938</u>	<u>-</u>	<u>1,724,887</u>
Total capital assets being depreciated, net	<u>690,710</u>	<u>(62,066)</u>	<u>-</u>	<u>628,644</u>
Governmental activities capital assets, net	<u>\$ 940,714</u>	<u>\$ 1,246,292</u>	<u>\$ -</u>	<u>\$ 2,187,006</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 789,809	\$ -	\$ -	\$ 789,809
Furniture and equipment	35,051	2,750	-	37,801
Total capital assets being depreciated	<u>824,860</u>	<u>2,750</u>	<u>-</u>	<u>827,610</u>
Less accumulated depreciation for:				
Buildings	31,592	15,796	-	47,388
Furniture and equipment	28,908	2,106	-	31,014
Less accumulated depreciation	<u>60,500</u>	<u>17,902</u>	<u>-</u>	<u>78,402</u>
Business-type activities capital assets, net	<u>\$ 764,360</u>	<u>\$ (15,152)</u>	<u>\$ -</u>	<u>\$ 749,208</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 6. Capital Assets (continued)

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

Governmental activities:

Instruction:

Regular	\$ 7,556
Other	7,482

Support services:

Administration	1,412
Transportation	34,988

51,438

Unallocated depreciation	<u>21,500</u>
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Total governmental activities depreciation expense	<u><u>\$ 72,938</u></u>
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Business-type activities:

Food service operations	\$ 2,106
Daycare operations	<u>15,796</u>

Total business-type activities depreciation expense	<u><u>\$ 17,902</u></u>
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Note 7. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Total</u>
Balance beginning of year	\$ 10,000	\$ 3,060,000	\$ 3,070,000
Additions	20,000	-	20,000
Reductions	<u>10,000</u>	<u>100,000</u>	<u>110,000</u>
Balance end of year	<u><u>\$ 20,000</u></u>	<u><u>\$ 2,960,000</u></u>	<u><u>\$ 2,980,000</u></u>
Due within one year	<u><u>\$ 20,000</u></u>	<u><u>\$ 105,000</u></u>	<u><u>\$ 125,000</u></u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities (continued)

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 65 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. Early retirement benefits will be paid in August following the start of retirement.

At June 30, 2006, the District has obligations to two participants with a total liability of \$20,000. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$10,000. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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
		\$ 2,960,000	\$ 1,430,886	\$ 4,390,886

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 789,809
Additions	-
Reductions	<u>8,322</u>
Balance end of year	<u>\$ 781,487</u>
Due within one year	<u>\$ 8,679</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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 8,679	\$ 34,281	\$ 42,960
2008	8,949	33,984	42,933
2009	9,473	33,487	42,960
2010	9,899	33,061	42,960
2011	10,330	32,616	42,946
2012	10,720	32,240	42,960
2013	11,291	31,669	42,960
2014	11,799	31,161	42,960
2015	12,329	30,631	42,960
2016	12,800	30,160	42,960
2017	13,459	29,501	42,960
2018	14,064	28,896	42,960
2019	14,697	28,263	42,960
2020	15,281	27,679	42,960
2021	16,045	26,915	42,960
2022	16,767	26,193	42,960
2023	17,521	25,439	42,960
2024	18,240	24,720	42,960
2025	19,129	23,831	42,960
2026	19,989	22,970	42,959
2027	20,889	22,071	42,960
2028	21,770	21,190	42,960
2029	22,807	20,152	42,959
2030	23,834	19,126	42,960
2031	24,906	18,054	42,960
2032	25,979	16,981	42,960
2033	27,195	15,765	42,960
2034	28,419	14,542	42,961
2035	29,697	13,263	42,960
2036	31,001	11,959	42,960
2037	32,428	10,541	42,969
2038	33,888	9,073	42,961
2039	35,412	7,548	42,960
2040	36,990	5,970	42,960
2041	38,670	4,290	42,960
2042	40,411	2,549	42,960
2043	35,730	741	36,471
	<u>\$ 781,487</u>	<u>\$ 801,512</u>	<u>\$ 1,582,999</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 matter.

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, 2006, 2005, and 2004 were \$142,191, \$133,122, and \$121,949 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 \$149,095 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Construction Commitments

The District entered into various contracts totaling \$3,243,325 for a high school addition. As of June 30, 2006, costs of \$1,253,773 had been incurred against the contracts. The balance of \$1,989,552 remaining at June 30, 2006 will be paid as work on the project progresses.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 12. Deficit Balances

The District had an unreserved, undesignated fund deficit in the nonmajor Special Revenue, Physical Plant and Equipment Levy Fund of \$85,276 at June 30, 2006. The nonmajor Special Revenue, Student Activity Fund also had some deficit accounts at June 30, 2006.

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, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
RECEIPTS:						
Local sources	\$ 1,892,845	\$ 399,309	\$ 2,292,154	\$ 2,117,606	\$ 2,117,606	\$ 174,548
Intermediate sources	-	-	-	13,000	13,000	(13,000)
State sources	2,423,259	2,347	2,425,606	2,430,985	2,430,985	(5,379)
Federal sources	160,329	194,749	355,078	243,200	243,200	111,878
Total receipts	4,476,433	596,405	5,072,838	4,804,791	4,804,791	268,047
DISBURSEMENTS:						
Instruction	2,533,024	-	2,533,024	2,639,500	2,639,500	106,476
Support services	1,189,098	63,889	1,252,987	1,290,300	1,290,300	37,313
Non-instructional programs	-	527,527	527,527	493,000	600,000	72,473
Other expenditures	1,539,126	-	1,539,126	3,378,652	3,378,652	1,839,526
Total disbursements	5,261,248	591,416	5,852,664	7,801,452	7,908,452	2,055,788
Excess (deficiency) of receipts over (under) disbursements	(784,815)	4,989	(779,826)	(2,996,661)	(3,103,661)	2,323,835
Other financing sources, net	100	-	100	-	-	100
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(784,715)	4,989	(779,726)	(2,996,661)	(3,103,661)	2,323,935
Balance beginning of year	4,053,705	80,792	4,134,497	4,310,908	4,310,908	(176,411)
Balance end of year	<u>\$ 3,268,990</u>	<u>\$ 85,781</u>	<u>\$ 3,354,771</u>	<u>\$ 1,314,247</u>	<u>\$ 1,207,247</u>	<u>\$ 2,147,524</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, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,476,433	\$ (5,249)	\$ 4,471,184
Expenditures	5,261,248	208,048	5,469,296
Net	(784,815)	(213,297)	(998,112)
Other financing sources (uses)	100	-	100
Beginning fund balances	4,053,705	(221,547)	3,832,158
Ending fund balances	<u>\$ 3,268,990</u>	<u>\$ (434,844)</u>	<u>\$ 2,834,146</u>

	Proprietary Funds		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 596,405	\$ 862	\$ 597,267
Expenses	591,416	27,820	619,236
Net	4,989	(26,958)	(21,969)
Beginning net assets	80,792	(42,289)	38,503
Ending net assets	<u>\$ 85,781</u>	<u>\$ (69,247)</u>	<u>\$ 16,534</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

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 internal service, 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 \$107,000.

Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 25,121	\$ 121,630	\$ -	\$ 146,751
Receivables:				
Property tax:				
Current year	873	-	1,661	2,534
Succeeding year	55,566	-	76,001	131,567
Accrued interest	-	239	-	239
Accounts	-	473	-	473
Total assets	<u>\$ 81,560</u>	<u>\$ 122,342</u>	<u>\$ 77,662</u>	<u>\$ 281,564</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,022	\$ 4,476	\$ 5,498
Interfund payable	-	-	82,461	82,461
Deferred revenue:				
Succeeding year property tax	55,566	-	76,001	131,567
Total liabilities	<u>55,566</u>	<u>1,022</u>	<u>162,938</u>	<u>219,526</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	25,994	121,320	(85,276)	62,038
Total fund equity	<u>25,994</u>	<u>121,320</u>	<u>(85,276)</u>	<u>62,038</u>
Total liabilities and fund equity	<u>\$ 81,560</u>	<u>\$ 122,342</u>	<u>\$ 77,662</u>	<u>\$ 281,564</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, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 49,966	\$ -	\$ 86,241	\$ 136,207
Other	3,746	132,884	401	137,031
Federal sources	-	-	1,849	1,849
Total revenues	<u>53,712</u>	<u>132,884</u>	<u>88,491</u>	<u>275,087</u>
Expenditures:				
Current:				
Instruction:				
Other instruction	-	109,260	-	109,260
Support services:				
Administration services	18,900	-	-	18,900
Operation and maintenance of plant services	44,544	-	-	44,544
Other expenditures:				
Facilities acquisition	-	-	84,192	84,192
Total expenditures	<u>63,444</u>	<u>109,260</u>	<u>84,192</u>	<u>256,896</u>
Excess (deficiency) of revenues over (under) expenditures	(9,732)	23,624	4,299	18,191
Other financing sources:				
Interfund transfers in	-	-	27,701	27,701
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(9,732)	23,624	32,000	45,892
Fund balances beginning of year	<u>35,726</u>	<u>97,696</u>	<u>(117,276)</u>	<u>16,146</u>
Fund balances end of year	<u>\$ 25,994</u>	<u>\$ 121,320</u>	<u>\$ (85,276)</u>	<u>\$ 62,038</u>

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, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ (310)	\$ 679	\$ 369	\$ -
Vocal Music	-	778	778	-
Musical	38	643	681	-
Music Trip	-	8,611	8,065	546
Band/Choir Fundraiser	163	1,971	1,913	221
Instrumental Music	-	3,160	3,160	-
Choir Fees	1,658	-	1,658	-
Instrumental Rental	2,172	20	2,192	-
Band Uniforms	(347)	347	-	-
Color Guard	(103)	103	-	-
Summer Weight Program	1,274	-	160	1,114
Athletic Gate Receipts	-	2,902	2,902	-
Athletic Pop Sales	5,031	804	-	5,835
Golf	-	245	245	-
Boys Basketball	-	1,852	1,852	-
Basketball Fundraising	-	2,457	2,457	-
Football	-	6,566	6,566	-
Football Fundraising	-	2,150	2,001	149
Baseball	(107)	3,723	3,540	76
Boys Track	-	2,033	2,033	-
Wrestling	(182)	4,728	4,546	-
Wrestling Fundraising	-	438	438	-
Girls Basketball	-	1,946	1,946	-
Volleyball	-	2,055	2,055	-
Softball	-	3,821	3,821	-
Softball Fundraising	-	2,026	-	2,026
Girls Track	-	1,775	1,775	-
Conference Leadership	149	-	60	89
Library Book Fair	1,761	5,524	4,866	2,419
Pictures	3,559	68	-	3,627
Playground	1,035	307	1,096	246
Ice Cream Machine	(135)	1,544	827	582
Middle School Publications	147	-	-	147
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	1,341	-	-	1,341
Class of 2005	1,852	-	676	1,176

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2006	\$ 2,690	\$ 56	\$ 569	\$ 2,177
Class of 2007	2,219	1,527	850	2,896
Class of 2008	1,875	805	19	2,661
Class of 2009	4,927	-	-	4,927
Class of 2010	1,258	4,878	5,577	559
Class of 2011	502	5,409	2,890	3,021
Class of 2012	-	4,297	2,561	1,736
FFA	2,411	10,577	13,371	(383)
National Honor Society	2,307	1,407	1,550	2,164
Student Council	4,151	3,613	2,726	5,038
Art Club	1,636	4,649	4,075	2,210
Foods Club	-	509	334	175
MS Cheerleading	14	-	-	14
MS Student Council	385	227	250	362
Elementary Pictures	2,960	1,502	522	3,940
School Cents	20,238	10,161	288	30,111
Student Projects	1,472	59	-	1,531
Greenhouse	3,043	1,309	754	3,598
Yearbook	(12,332)	1,853	67	(10,546)
Pep Bus	335	-	-	335
Interest	23,084	1,180	3,987	20,277
General Courtesy Account	4,930	2,739	2,035	5,634
Football Cheerleading	1,122	2,376	1,846	1,652
Basketball Cheerleading	(78)	1,222	871	273
Wrestling Cheerleading	524	2,366	1,149	1,741
Sassmeisters	3,827	9,052	3,316	9,563
CSB Student Projects	250	-	-	250
Variety Show	1,678	860	-	2,538
Intrafund Transfers	-	(3,025)	(3,025)	-
Total	\$ 97,696	\$ 132,884	\$ 109,260	\$ 121,320

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,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,336,164	\$ 1,169,740	\$ 1,139,440	\$ 1,121,353
Tuition	176,263	157,642	150,333	148,808
Other	377,208	323,758	239,620	219,217
Intermediate sources	-	-	13,206	36,047
State sources	2,444,228	2,301,520	2,279,041	2,218,039
Federal sources	137,321	151,637	153,028	91,349
Total revenues	\$ 4,471,184	\$ 4,104,297	\$ 3,974,668	\$ 3,834,813
Expenditures:				
Instruction:				
Regular instruction	\$ 1,667,123	\$ 1,629,864	\$ 1,543,750	\$ 1,559,918
Special instruction	505,948	405,754	543,154	528,520
Other instruction	362,362	356,001	316,959	349,786
Support services:				
Student services	84,274	111,030	126,155	120,522
Instructional staff services	133,947	127,729	117,756	144,488
Administration services	485,724	527,429	514,472	502,606
Operation and maintenance of plant services	349,764	281,444	254,197	245,129
Transportation services	129,801	207,612	122,707	242,668
Non-instructional programs	2,837	-	-	-
Other expenditures:				
Facilities acquisition	1,365,909	187,343	24,953	-
Long-term debt:				
Principal	100,000	50,419	23,615	14,858
Interest and fiscal charges	132,512	3,605	3,255	605
AEA flowthrough	149,095	143,928	146,548	152,747
Total expenditures	\$ 5,469,296	\$ 4,032,158	\$ 3,737,521	\$ 3,861,847

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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 21, 2006. 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 item I-A-06 is a material weakness.

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, 2006 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, 2006

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 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 cash 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-06 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.

I-C-06 Disbursements – Out of forty disbursements tested, two were not supported by an invoice or receipt prior to the check being released for payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment.

Response – We will make sure that all future disbursements are properly supported.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

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

Reportable Conditions (continued):

I-D-06 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. Two people now count the money and either the principal or Athletic Director reviews.

Conclusion – Response accepted.

I-E-06 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.

I-F-06 Employee Services to School – We noted an employee who was paid for snow removal services through accounts payable and not payroll.

Recommendation – According to IRS regulations, all payments to employees for services should go through payroll with the proper withholdings taken out unless that employee has their own business corporation through which they provide those services to the public at large.

Response – We will run this type of transaction through payroll in the future.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Expenditures – We noted that an employee was over reimbursed \$165.78 for lodging expenses.
- Recommendation – The District should contact the employee and point out the error. The employee should be asked to reimburse the school district for this mistake.
- Response – The employee has been contacted and the amount in question will be repaid.
- Conclusion – Response accepted.
- II-C-06 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-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-E-06 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-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 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-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition – The District had an unreserved, undesignated fund deficit in the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund of \$85,276 as of June 30, 2006. In addition, the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts and the Enterprise, ABC Childcare Fund had a \$12,016 deficit net assets.
- Recommendation – The District needs to explore alternatives to restore the PPEL and ABC Childcare Funds 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.