

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

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

JUNE 30, 2007

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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 2006 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>Board of Education</u>		
(After September 2006 Election)		
Kirk Hayes	President	2007
David Goodlove	Vice President	2009
Sue Pillard	Board Member	2008
Eric Rauch	Board Member	2009
Teresa Uhlenkamp	Board Member	(resigned 3/28/07) 2008
Crystal Murphy	Board Member	(appointed 4/10/07) 2007

<u>School Officials</u>		
William Mertens	Superintendent	2007
Karla Hogan	District Secretary/Treasurer	2007
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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2007 on our consideration of Central City Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 7 through 18 and 54 through 55 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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
November 1, 2007

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, 2007. 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 2006–2007 school year.
- The General Fund undesignated unreserved fund balance increased from \$877,689 in fiscal year 2006 to \$911,248 in fiscal year 2007. This equates to a 23.02% solvency ratio.
- The increase in General Fund revenue was attributable to an increase in local taxes and state revenue in fiscal year 2007.

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-1

Central City Community School District
Annual Financial Report

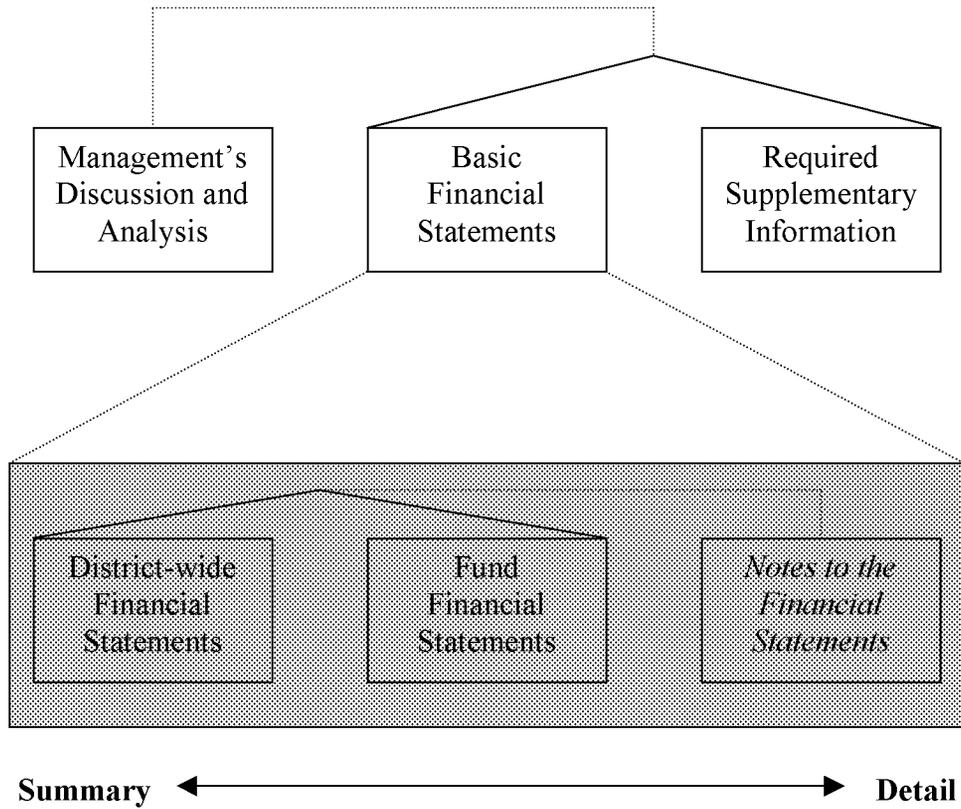


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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 restricted net assets experienced a triple digit increase. Current and other assets decreased 30.93%, capital assets increased by 60.50% and restricted net assets increased by 446.06%. The decrease in current and other assets is because of the payments of the construction for the new high school and increase in capital assets is because of the construction in progress for the new high school addition. The increase in restricted net assets is because of the money left in the Capital Projects restricted for the high school construction project.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2006-2007
	2006	2007	2006	2007	2006	2007	
Current and other assets	4,586,478	3,200,022	108,618	42,671	4,695,096	3,242,693	-30.93%
Capital assets	2,187,006	3,818,854	749,208	893,872	2,936,214	4,712,726	60.50%
Total Assets	6,773,484	7,018,876	857,826	936,543	7,631,310	7,955,419	4.25%
Long-term obligations	2,980,000	2,855,000	781,487	772,694	3,761,487	3,627,694	-3.56%
Other liabilities	1,773,600	1,612,034	59,805	58,065	1,833,405	1,670,099	-8.91%
Total Liabilities	4,753,600	4,467,034	841,292	830,759	5,594,892	5,297,793	-5.31%
Net assets:							
Investment in capital assets, net of related debt	1,115,135	963,854	(32,279)	121,178	1,082,856	1,085,032	.20%
Restricted	127,314	695,209	0	0	127,314	695,209	446.06%
Unrestricted	777,435	892,779	48,813	(15,394)	826,248	877,385	6.19%
Total Net Assets	2,019,884	2,551,842	16,534	105,784	2,036,418	2,657,626	30.50%

Investment in capital assets (e.g. land, buildings, furniture and equipment) less any outstanding debt used to acquire those assets is \$1,085,032. 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 \$695,209 of net assets reflects amounts with external restrictions to which the funds can be used. The remaining balance of \$877,385 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 13.08 percent increase in operating revenue while experiencing a 7.55 percent increase in expenses. Property taxes and unrestricted state grants account for most of the district's revenue, with each contributing approximately 24 percent and 37 percent respectively of the total dollars raised (See Figure A-5).

Total cost for all programs and services rose 7.55 percent to \$5,114,953. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (52%) are devoted to direct Instruction. The bulk of the 4.4 percent increase in instruction is due to negotiated salary and benefit increases. Another 27 percent is spent on Support Services.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2006-2007
	2006	2007	2006	2007	2006	2007	
Revenues:							
Program Revenues:							
Charges for Service	385,905	401,351	395,465	411,994	781,370	813,345	4.09%
Operating grants and contributions and restricted interest	499,473	547,846	201,514	145,931	700,987	693,777	-1.03%
Capital grants and contributions and restricted interest	0	450,000	0	157,084	0	607,084	100.00%
General Revenues:							
Property tax	1,337,134	1,363,354	0	0	1,337,134	1,363,354	1.96%
Unrestricted state grants	2,081,106	2,136,558	0	0	2,081,106	2,136,558	2.66%
Other	171,841	121,895	288	148	172,129	122,043	-29.10%
Total Revenues	<u>4,475,459</u>	<u>5,021,004</u>	<u>597,267</u>	<u>715,157</u>	<u>5,072,726</u>	<u>5,736,161</u>	<u>13.08%</u>
Program Expenses:							
Governmental activities:							
Instruction	2,560,472	2,673,377	0	0	2,560,472	2,673,377	4.41%
Support Services	1,213,212	1,337,820	0	54,049	1,213,212	1,391,869	14.73%
Non-instructional programs	2,837	142	619,236	571,858	622,073	572,000	-8.05%
Other expenses	359,908	477,707	0	0	359,908	477,707	32.73%
Total Expenses	<u>4,136,429</u>	<u>4,489,046</u>	<u>619,236</u>	<u>625,907</u>	<u>4,755,665</u>	<u>5,114,953</u>	<u>7.55%</u>
Changes in net assets	<u>339,030</u>	<u>531,958</u>	<u>(21,969)</u>	<u>89,250</u>	<u>317,061</u>	<u>621,208</u>	<u>95.93%</u>

Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,885,797	\$ 24,022	\$ 1,909,819
Receivables:			
Property tax:			
Current year	18,735	-	18,735
Succeeding year	1,153,000	-	1,153,000
Accounts	33,762	10,983	44,745
Due from other governments	108,728	1,454	110,182
Inventories	-	6,212	6,212
Capital assets, net of accumulated depreciation (note 5)	3,818,854	893,872	4,712,726
Total assets	7,018,876	936,543	7,955,419
Liabilities			
Accounts payable	54,674	843	55,517
Salaries and benefits payable	383,880	54,319	438,199
Accrued interest payable	20,480	-	20,480
Deferred revenue:			
Succeeding year property tax	1,153,000	-	1,153,000
Other	-	2,903	2,903
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	110,000	-	110,000
Capital lease purchase agreement	-	8,976	8,976
Portion due after one year:			
Bonds payable	2,745,000	-	2,745,000
Capital lease purchase agreement	-	763,718	763,718
Total liabilities	4,467,034	830,759	5,297,793

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 963,854	\$ 121,178	\$ 1,085,032
Restricted for:			
Management levy	5,504	-	5,504
Physical plant and equipment levy	113,304	-	113,304
Other special revenue purposes	125,951	-	125,951
Capital projects	450,450	-	450,450
Unrestricted	<u>892,779</u>	<u>(15,394)</u>	<u>877,385</u>
Total net assets	<u>\$ 2,551,842</u>	<u>\$ 105,784</u>	<u>\$ 2,657,626</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,673,377	\$ 386,144	\$ 384,405	\$ -
Support services:				
Student services	101,494	-	-	-
Instructional staff services	168,569	-	-	-
Administration services	509,189	-	-	-
Operation and maintenance of plant services	393,700	1,600	-	-
Transportation services	164,868	-	3,774	-
	<u>1,337,820</u>	<u>1,600</u>	<u>3,774</u>	<u>-</u>
Non-instructional programs	<u>142</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	165,214	13,607	-	450,000
Long-term debt interest and fiscal charges	127,023	-	-	-
AEA flowthrough	159,667	-	159,667	-
Depreciation (unallocated) *	25,803	-	-	-
	<u>477,707</u>	<u>13,607</u>	<u>159,667</u>	<u>450,000</u>
Total governmental activities	<u>4,489,046</u>	<u>401,351</u>	<u>547,846</u>	<u>450,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,902,828)	\$ -	\$ (1,902,828)
(101,494)	-	(101,494)
(168,569)	-	(168,569)
(509,189)	-	(509,189)
(392,100)	-	(392,100)
(161,094)	-	(161,094)
(1,332,446)	-	(1,332,446)
(142)	-	(142)
298,393	-	298,393
(127,023)	-	(127,023)
-	-	-
(25,803)	-	(25,803)
145,567	-	145,567
(3,089,849)	-	(3,089,849)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Administration services	\$ 36,426	\$ -	\$ -	-
Operation and maintenance of plant services	17,593	-	-	-
Transportation services	30	-	-	-
	<u>54,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	179,784	100,934	69,490	157,084
Daycare operations	392,074	311,060	76,441	-
	<u>571,858</u>	<u>411,994</u>	<u>145,931</u>	<u>157,084</u>
Total business-type activities	<u>625,907</u>	<u>411,994</u>	<u>145,931</u>	<u>157,084</u>
Total	<u>\$ 5,114,953</u>	<u>\$ 813,345</u>	<u>\$ 693,777</u>	<u>\$ 607,084</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 included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$	-	\$ (36,426)
		\$ (36,426)
		(17,593)
		(17,593)
		(30)
		(30)
		(54,049)
		(54,049)
		147,724
		147,724
		(4,573)
		(4,573)
		143,151
		143,151
		89,102
		89,102
		(3,089,849)
		(3,000,747)
		(3,000,747)
\$	1,041,383	\$ 1,041,383
	232,956	232,956
	89,015	89,015
	2,136,558	2,136,558
	69,064	148
	52,831	52,831
		52,831
		3,621,807
		148
		3,621,955
		531,958
		89,250
		621,208
		2,019,884
		16,534
		2,036,418
\$	2,551,842	\$ 2,657,626
	105,784	2,657,626
		2,657,626

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<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	\$ 1,217,118	\$ 587	\$ 458,764	\$ 209,328	\$ 1,885,797
Receivables:					
Property tax:					
Current year	12,119	4,203	-	2,413	18,735
Succeeding year	839,000	199,000	-	115,000	1,153,000
Interfund receivable (note 4)	2,779	-	-	-	2,779
Accounts	64	-	-	33,698	33,762
Due from other governments	108,728	-	-	-	108,728
Total assets	<u>\$ 2,179,808</u>	<u>\$ 203,790</u>	<u>\$ 458,764</u>	<u>\$ 360,439</u>	<u>\$ 3,202,801</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 45,680	\$ -	\$ 8,314	\$ 680	\$ 54,674
Salaries and benefits payable	383,880	-	-	-	383,880
Interfund payable (note 4)	-	2,779	-	-	2,779
Deferred revenue:					
Succeeding year property tax	839,000	199,000	-	115,000	1,153,000
Total liabilities	<u>1,268,560</u>	<u>201,779</u>	<u>8,314</u>	<u>115,680</u>	<u>1,594,333</u>
Fund balance:					
Reserved for:					
Debt service	-	2,011	-	-	2,011
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	244,759	244,759
Undesignated	911,248	-	450,450	-	1,361,698
Total fund balances	<u>911,248</u>	<u>2,011</u>	<u>450,450</u>	<u>244,759</u>	<u>1,608,468</u>
Total liabilities and fund balances	<u>\$ 2,179,808</u>	<u>\$ 203,790</u>	<u>\$ 458,764</u>	<u>\$ 360,439</u>	<u>\$ 3,202,801</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, 2007

Total fund balances of governmental funds	\$	1,608,468
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.		3,818,854
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.		(20,480)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,855,000)</u>
Net assets of governmental activities	\$	<u><u>2,551,842</u></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, 2007

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 974,394	\$ 232,751	\$ -	\$ 153,926	\$ 1,361,071
Tuition	171,375	-	-	-	171,375
Other	126,028	387	50,574	139,910	316,899
State sources	2,551,585	205	-	142	2,551,932
Federal sources	134,754	-	450,000	-	584,754
Total revenues	<u>3,958,136</u>	<u>233,343</u>	<u>500,574</u>	<u>293,978</u>	<u>4,986,031</u>
Expenditures:					
Current:					
Instruction	2,534,150	-	-	156,105	2,690,255
Support services:					
Student services	101,494	-	-	-	101,494
Instructional staff services	168,569	-	-	-	168,569
Administration services	487,290	-	-	20,487	507,777
Operation and maintenance of plant services	350,190	-	-	43,510	393,700
Transportation services	129,161	-	-	10,720	139,881
	<u>1,236,704</u>	<u>-</u>	<u>-</u>	<u>74,717</u>	<u>1,311,421</u>
Non-instructional programs	142	-	-	-	142
Other expenditures:					
Facilities acquisition	-	-	1,838,253	14,133	1,852,386
Long term debt:					
Principal	-	105,000	-	-	105,000
Interest and fiscal charges	-	127,811	-	-	127,811
AEA flowthrough	159,667	-	-	-	159,667
	<u>159,667</u>	<u>232,811</u>	<u>1,838,253</u>	<u>14,133</u>	<u>2,244,864</u>
Total expenditures	<u>3,930,663</u>	<u>232,811</u>	<u>1,838,253</u>	<u>244,955</u>	<u>6,246,682</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,473</u>	<u>532</u>	<u>(1,337,679)</u>	<u>49,023</u>	<u>(1,260,651)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<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	\$ 1,275	\$ -	\$ -	\$ -	1,275
Compensation for loss of capital assets	-	-	-	33,698	33,698
Interfund transfers in	-	-	-	100,000	100,000
Interfund transfers out	-	-	(100,000)	-	(100,000)
Total other financing sources (uses)	<u>1,275</u>	<u>-</u>	<u>(100,000)</u>	<u>133,698</u>	<u>34,973</u>
Net change in fund balances	28,748	532	(1,437,679)	182,721	(1,225,678)
Fund balances beginning of year	<u>882,500</u>	<u>1,479</u>	<u>1,888,129</u>	<u>62,038</u>	<u>2,834,146</u>
Fund balances end of year	<u>\$ 911,248</u>	<u>\$ 2,011</u>	<u>\$ 450,450</u>	<u>\$ 244,759</u>	<u>\$ 1,608,468</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, 2007

Net change in fund balances - total governmental funds \$ (1,225,678)

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	\$ 1,708,529	
	Depreciation expense	<u>(76,681)</u>	1,631,848

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 105,000

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. 788

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 20,000

Change in net assets of governmental activities \$ 531,958

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	ABC Childcare	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 3,230	\$ 12,176	\$ 15,406
Cash with fiscal agent	8,616	-	8,616
Accounts receivable	6,830	4,153	10,983
Due from other governments	1,454	-	1,454
Inventories	-	6,212	6,212
Capital assets, net of accumulated depreciation	726,625	167,247	893,872
Total assets	746,755	189,788	936,543
Liabilities			
Accounts payable	843	-	843
Salaries and benefits payable	43,098	11,221	54,319
Deferred revenue	454	2,449	2,903
Long-term liabilities (note 6):			
Portion due within one year:			
Capital lease purchase agreement	8,976	-	8,976
Portion due after one year:			
Capital lease purchase agreement	763,718	-	763,718
Total liabilities	817,089	13,670	830,759
Net Assets			
Invested in capital assets, net of related debt	(46,069)	167,247	121,178
Unrestricted	(24,265)	8,871	(15,394)
Total net assets	\$ (70,334)	\$ 176,118	\$ 105,784

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, 2007

	ABC Childcare	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 311,060	\$ 100,934	\$ 411,994
Operating expenses:			
Support services:			
Administration services	36,206	220	36,426
Operation and maintenance of plant services	17,593	-	17,593
Transportation services	30	-	30
Non-instructional programs	392,074	179,784	571,858
	445,903	180,004	625,907
Operating loss	(134,843)	(79,070)	(213,913)
Non-operating revenues:			
Interest on investments	84	64	148
Contributions	11,022	157,084	168,106
State sources	-	2,448	2,448
Federal sources	65,419	67,042	132,461
Total non-operating revenues	76,525	226,638	303,163
Change in net assets	(58,318)	147,568	89,250
Net assets beginning of year	(12,016)	28,550	16,534
Net assets end of year	\$ (70,334)	\$ 176,118	\$ 105,784

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	ABC Childcare	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 99,102	\$ 99,102
Cash received from miscellaneous operating activities	316,730	128	316,858
Cash payments to employees for services	(343,690)	(68,912)	(412,602)
Cash payments to suppliers for goods or services	(89,461)	(80,751)	(170,212)
Net cash used by operating activities	<u>(116,421)</u>	<u>(50,433)</u>	<u>(166,854)</u>
Cash flows from non-capital financing activities:			
Contributions received	11,022	-	11,022
State grants received	-	2,448	2,448
Federal grants received	65,101	55,895	120,996
Net cash provided by non-capital financing activities	<u>76,123</u>	<u>58,343</u>	<u>134,466</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(20,726)	(20,726)
Principal paid on capital lease	(8,793)	-	(8,793)
Net cash used by capital and related financing activities	<u>(8,793)</u>	<u>(20,726)</u>	<u>(29,519)</u>
Cash flows from investing activities:			
Interest on investments	84	64	148
Net decrease in cash and cash equivalents	(49,007)	(12,752)	(61,759)
Cash and cash equivalents beginning of year	<u>60,853</u>	<u>24,928</u>	<u>85,781</u>
Cash and cash equivalents end of year	<u>\$ 11,846</u>	<u>\$ 12,176</u>	<u>\$ 24,022</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>ABC Childcare</u>	<u>School Nutrition</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (134,843)	\$ (79,070)	\$ (213,913)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	15,796	17,350	33,146
Commodities used	-	11,147	11,147
(Increase) decrease in accounts receivable	7,642	(4,153)	3,489
Decrease in inventories	-	1,017	1,017
Decrease in accounts payable	(1,025)	-	(1,025)
Increase (decrease) in salaries and benefits payable	(2,019)	827	(1,192)
Increase (decrease) in deferred revenue	(1,972)	2,449	477
Net cash used by operating activities	<u>\$ (116,421)</u>	<u>\$ (50,433)</u>	<u>\$ (166,854)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$11,147 of federal commodities and \$157,084 of capital contributions.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>64,987</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>64,987</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, 2007

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions: Local sources: Interest	\$ <u>1,768</u>
Deductions: None	<u>-</u>
Change in net assets	1,768
Net assets beginning of year	<u>63,219</u>
Net assets end of year	<u><u>\$ 64,987</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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 attributable to the acquisition, construction, or improvement of those assets.

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

The Enterprise, School Nutrition Fund is used to account for the food service 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, 2007

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, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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, 2007, 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 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, 2007

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 and meal 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, 2007

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 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, 2007.

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

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

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

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 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, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>444,866</u>

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, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Physical Plant and Equipment Levy	Capital Projects	\$ <u>100,000</u>

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

Note 4. Interfund Receivables and Payables

At June 30, 2007 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Temporary Loan:		
General	Debt Service	\$ <u>2,779</u>

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 District-wide Statement of Net Assets.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 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	1,489,362	1,687,172	-	3,176,534
Total capital assets not being depreciated	<u>1,558,362</u>	<u>1,687,172</u>	<u>-</u>	<u>3,245,534</u>
Capital assets being depreciated:				
Buildings	1,541,424	-	-	1,541,424
Furniture and equipment	812,107	21,357	32,912	800,552
Total capital assets being depreciated	<u>2,353,531</u>	<u>21,357</u>	<u>32,912</u>	<u>2,341,976</u>
Less accumulated depreciation for:				
Buildings	1,062,572	21,539	-	1,084,111
Furniture and equipment	662,315	55,142	32,912	684,545
Total accumulated depreciation	<u>1,724,887</u>	<u>76,681</u>	<u>32,912</u>	<u>1,768,656</u>
Total capital assets being depreciated, net	<u>628,644</u>	<u>(55,324)</u>	<u>-</u>	<u>573,320</u>
Governmental activities capital assets, net	<u>\$ 2,187,006</u>	<u>\$ 1,631,848</u>	<u>\$ -</u>	<u>\$ 3,818,854</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 789,809	\$ -	\$ -	\$ 789,809
Furniture and equipment	37,801	177,810	-	215,611
Total capital assets being depreciated	<u>827,610</u>	<u>177,810</u>	-	<u>1,005,420</u>
Less accumulated depreciation for:				
Buildings	47,388	15,796	-	63,184
Furniture and equipment	31,014	17,350	-	48,364
Less accumulated depreciation	<u>78,402</u>	<u>33,146</u>	-	<u>111,548</u>
Business-type activities capital assets, net	<u>\$ 749,208</u>	<u>\$ 144,664</u>	<u>\$ -</u>	<u>\$ 893,872</u>

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

Governmental activities:		
Instruction		\$ 14,479
Support services:		
Administration		1,412
Transportation		<u>34,987</u>
		50,878
Unallocated depreciation		<u>25,803</u>
Total governmental activities depreciation expense		<u>\$ 76,681</u>
Business-type activities:		
Food service operations		\$ 17,350
Daycare operations		<u>15,796</u>
		<u>\$ 33,146</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2007 is as follows:

	Early Retirement	General Obligation Bonds	Total
Balance beginning of year	\$ 20,000	\$ 2,960,000	\$ 2,980,000
Additions	-	-	-
Reductions	20,000	105,000	125,000
Balance end of year	<u>\$ -</u>	<u>\$ 2,855,000</u>	<u>\$ 2,855,000</u>
Due within one year	<u>\$ -</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five but not over age sixty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement incentive for each eligible employee is equal to \$10,000. Early retirement benefits will be paid in August following the start of retirement.

At June 30, 2007, the District has no early retirement obligations. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$20,000.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.500 %	\$ 110,000	\$ 122,882	\$ 232,882
2009	4.500	115,000	117,932	232,932
2010	4.500	120,000	112,756	232,756
2011	4.500	125,000	107,356	232,356
2012	4.500	130,000	101,732	231,732
2013	4.500	135,000	95,881	230,881
2014	3.750	140,000	89,806	229,806
2015	3.875	145,000	84,556	229,556
2016	3.950	150,000	78,938	228,938
2017	4.050	160,000	73,012	233,012
2018	4.150	165,000	66,532	231,532
2019	4.200	170,000	59,686	229,686
2020	4.250	180,000	52,546	232,546
2021	4.300	185,000	44,895	229,895
2022	4.400	195,000	36,940	231,940
2023	4.450	200,000	28,360	228,360
2024	4.500	210,000	19,460	229,460
2025	4.550	220,000	10,010	230,010
		<u>\$ 2,855,000</u>	<u>\$ 1,303,280</u>	<u>\$ 4,158,280</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 781,487
Additions	-
Reductions	<u>8,793</u>
Balance end of year	<u>\$ 772,694</u>
Due within one year	<u>\$ 8,976</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, 2007

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2007 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 8,976	\$ 33,984	\$ 42,960
2009	9,473	33,487	42,960
2010	9,899	33,061	42,960
2011	10,344	32,616	42,960
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	22,971	42,960
2027	20,889	22,071	42,960
2028	21,770	21,190	42,960
2029	22,807	20,153	42,960
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	14,541	42,960
2035	29,697	13,263	42,960
2036	31,001	11,959	42,960
2037	32,428	10,532	42,960
2038	33,888	9,072	42,960
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	35,575	741	36,316
	<u>\$ 772,694</u>	<u>\$ 767,222</u>	<u>\$ 1,539,916</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. 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 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$147,899, \$142,191, and \$133,122, respectively, equal to the required contributions for each year.

Note 8. 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$159,667 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$3,126,418 for a high school addition. As of June 30, 2007, costs of \$2,918,436 had been incurred against the contracts. The balance of \$207,982 remaining at June 30, 2007 will be paid as work on the project progresses.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 11. Subsequent Event

On November 1, 2007, the District issued \$1,545,000 in general obligation school bonds. Proceeds from the issuance are to be used to construct, furnish, and equip school buildings. The general obligation bonds will be paid over twenty years. Interest will be paid at rates ranging from 4.20% to 4.75%.

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Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 1,849,345	\$ 580,248	\$ 2,429,593	\$ 2,467,909	\$ 2,467,909	\$ (38,316)
Intermediate sources	-	-	-	220,000	220,000	(220,000)
State sources	2,551,932	2,448	2,554,380	2,935,737	2,935,737	(381,357)
Federal sources	584,754	132,461	717,215	296,000	296,000	421,215
Total revenues	4,986,031	715,157	5,701,188	5,919,646	5,919,646	(218,458)
EXPENDITURES:						
Instruction	2,690,255	-	2,690,255	3,571,530	3,571,530	881,275
Support services	1,311,421	54,049	1,365,470	1,506,000	1,506,000	140,530
Non-instructional programs	142	571,858	572,000	650,390	650,390	78,390
Other expenditures	2,244,864	-	2,244,864	1,704,060	2,800,000	555,136
Total expenditures	6,246,682	625,907	6,872,589	7,431,980	8,527,920	1,655,331
Excess (deficiency) of revenues over (under) expenditures	(1,260,651)	89,250	(1,171,401)	(1,512,334)	(2,608,274)	1,436,873
Other financing sources, net	34,973	-	34,973	2,000	2,000	32,973
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,225,678)	89,250	(1,136,428)	(1,510,334)	(2,606,274)	1,469,846
Balance beginning of year	2,834,146	16,534	2,850,680	1,600,362	1,600,362	1,250,318
Balance end of year	\$ <u>1,608,468</u>	\$ <u>105,784</u>	\$ <u>1,714,252</u>	\$ <u>90,028</u>	\$ <u>(1,005,912)</u>	\$ <u>2,720,164</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

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 function 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 expenditures by \$1,095,940.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget.

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Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 4,697	\$ 126,631	\$ 78,000	\$ 209,328
Receivables:				
Property tax:				
Current year	807	-	1,606	2,413
Succeeding year	64,000	-	51,000	115,000
Accounts	-	-	33,698	33,698
Total assets	\$ 69,504	\$ 126,631	\$ 164,304	\$ 360,439
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 680	\$ -	\$ 680
Deferred revenue:				
Succeeding year property tax	64,000	-	51,000	115,000
Total liabilities	64,000	680	51,000	115,680
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	5,504	125,951	113,304	244,759
Total liabilities and fund equity	\$ 69,504	\$ 126,631	\$ 164,304	\$ 360,439

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, 2007

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 64,989	\$ -	\$ 88,937	\$ 153,926
Other	704	139,206	-	139,910
State sources	64	-	78	142
Total revenues	<u>65,757</u>	<u>139,206</u>	<u>89,015</u>	<u>293,978</u>
Expenditures:				
Current:				
Instruction	21,530	134,575	-	156,105
Support services:				
Administration services	20,487	-	-	20,487
Operation and maintenance of plant services	43,510	-	-	43,510
Transportation services	720	-	10,000	10,720
Other expenditures:				
Facilities acquisition	-	-	14,133	14,133
Total expenditures	<u>86,247</u>	<u>134,575</u>	<u>24,133</u>	<u>244,955</u>
Excess (deficiency) of revenues over (under) expenditures	(20,490)	4,631	64,882	49,023
Other financing sources:				
Compensation for loss of capital assets	-	-	33,698	33,698
Interfund transfers in	-	-	100,000	100,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>133,698</u>	<u>133,698</u>
Net change in fund balances	(20,490)	4,631	198,580	182,721
Fund balances beginning of year	<u>25,994</u>	<u>121,320</u>	<u>(85,276)</u>	<u>62,038</u>
Fund balances end of year	<u>\$ 5,504</u>	<u>\$ 125,951</u>	<u>\$ 113,304</u>	<u>\$ 244,759</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, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	\$ 286	\$ 286	\$ -
Vocal Music	-	1,692	1,692	-
Musical	-	2,313	2,313	-
Music Trip	546	-	-	546
Band/Choir Fundraiser	221	2,040	2,261	-
Instrumental Music	-	7,504	7,504	-
Summer Weight Program	1,114	-	429	685
Athletic Gate Receipts	-	26,535	26,535	-
Athletic Pop Sales	5,835	-	4,142	1,693
Golf	-	132	132	-
Boys Basketball	-	1,716	1,716	-
Football	-	3,177	3,177	-
Football Fundraising	149	2,860	1,856	1,153
Baseball	76	3,204	3,223	57
Baseball Fundraising	-	1,591	1,541	50
Boys Track	-	864	864	-
Wrestling	-	2,448	2,448	-
Wrestling Fundraising	-	1,484	1,484	-
Girls Basketball	-	1,902	1,902	-
Volleyball	-	1,010	1,010	-
Volleyball Fundraising	-	430	-	430
Softball	-	2,183	1,906	277
Softball Fundraising	2,026	168	425	1,769
Girls Track	-	458	458	-
Conference Leadership	89	-	-	89
Library Book Fair	2,419	5,858	8,055	222
Pictures	3,627	174	-	3,801
Playground	246	405	483	168
Ice Cream Machine	582	1,274	707	1,149
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	1,176	-	-	1,176

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2006	\$ 2,177	\$ -	\$ 710	\$ 1,467
Class of 2007	2,896	835	1,134	2,597
Class of 2008	2,661	1,101	2,555	1,207
Class of 2009	4,927	-	-	4,927
Class of 2010	559	2,570	2,001	1,128
Class of 2011	3,021	5,049	4,056	4,014
Class of 2012	1,736	4,815	4,028	2,523
Class of 2013	-	5,180	3,609	1,571
FFA	(383)	11,489	11,401	(295)
National Honor Society	2,164	950	711	2,403
Student Council	5,038	2,379	6,163	1,254
Art Club	2,210	3,772	3,171	2,811
Foods Club	175	-	349	(174)
MS Cheerleading	14	-	-	14
MS Student Council	362	509	423	448
Elementary Pictures	3,940	2,975	494	6,421
School Cents	30,111	8,775	291	38,595
Student Projects	1,531	2,000	40	3,491
Greenhouse	3,598	1,311	1,198	3,711
Yearbook	(10,546)	3,193	409	(7,762)
Pep Bus	335	-	-	335
Interest	20,277	4,372	2,817	21,832
General Courtesy Account	5,634	2,653	2,892	5,395
Football Cheerleading	1,652	2,049	2,073	1,628
Basketball Cheerleading	273	2,377	1,747	903
Wrestling Cheerleading	1,741	1,115	1,791	1,065
Sassmeisters	9,563	16,486	21,881	4,168
Padlocks	-	34	-	34
CSB Student Projects	250	-	-	250
Variety Show	2,538	-	573	1,965
Intrafund Transfers	-	(18,491)	(18,491)	-
Total	\$ 121,320	\$ 139,206	\$ 134,575	\$ 125,951

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,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,361,071	\$ 1,336,164	\$ 1,169,740	\$ 1,139,440
Tuition	171,375	176,263	157,642	150,333
Other	316,899	377,208	323,758	239,620
Intermediate sources	-	-	-	13,206
State sources	2,551,932	2,444,228	2,301,520	2,279,041
Federal sources	584,754	137,321	151,637	153,028
Total revenues	\$ 4,986,031	\$ 4,471,184	\$ 4,104,297	\$ 3,974,668
Expenditures:				
Instruction	\$ 2,690,255	\$ 2,535,433	\$ 2,391,619	\$ 2,403,863
Support services:				
Student services	101,494	84,274	111,030	126,155
Instructional staff services	168,569	133,947	127,729	117,756
Administration services	507,777	485,724	527,429	514,472
Operation and maintenance of plant services	393,700	349,764	281,444	254,197
Transportation services	139,881	129,801	207,612	122,707
Non-instructional programs	142	2,837	-	-
Other expenditures:				
Facilities acquisition	1,852,386	1,365,909	187,343	24,953
Long-term debt:				
Principal	105,000	100,000	50,419	23,615
Interest and fiscal charges	127,811	132,512	3,605	3,255
AEA flowthrough	159,667	149,095	143,928	146,548
Total expenditures	\$ 6,246,682	\$ 5,469,296	\$ 4,032,158	\$ 3,737,521

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Rural Education	84.358	FY 07	\$ <u>34,723</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Food Donation (non-cash)	10.550	FY 07	11,147
Food Donation	10.550	FY 07	<u>1,981</u>
			<u>13,128</u>
Child and Adult Care Food Program	10.558	FY 07	<u>13,734</u>
School Nutrition Cluster Programs: School Breakfast Program	10.553	FY 07	9,167
National School Lunch Program	10.555	FY 07	<u>46,728</u>
			<u>55,895</u>
Iowa Department of Agriculture: Team Nutrition Grants	10.574	FY 07	<u>175</u>
U. S. Department of Health and Human Services: Iowa Department of Human Services: Child Care and Development Block Grant	93.575	FY 07	<u>49,529</u>
Head Start	93.600	FY 07	<u>11,793</u>
U. S. Department of Education: Iowa Department of Education: Title 1 Grants to Local Educational Agencies	84.010	FY 07	<u>32,506</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>1,570</u>
Fund for the Improvement of Education	84.215	FY 07	<u>450,000</u>
State Grants for Innovative Programs	84.298	FY 07	<u>529</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>18,782</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>3,157</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 07	\$ <u>25,243</u>
Vocational Education - Basic Grants to States	84.048	FY 07	<u>6,451</u>
Total			\$ <u><u>717,215</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Central City Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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 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, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central City Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central City Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Central City Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Central City Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2007 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.

Central City Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Central City Community School District's responses and, accordingly, we express no opinion on them.

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
November 1, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Central City Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Central City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Central City Community School District's management. Our responsibility is to express an opinion on Central City Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central City Community School District's compliance with those requirements.

In our opinion, Central City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Central City Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Central City Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item III-A-07 is a material weakness

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.

Oskaloosa, Iowa
November 1, 2007

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central City Community School District did not qualify as a low-risk auditee.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 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 to the cash journals were 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 have assessed this finding and concluded that any further changes would not be cost effective.

Conclusion – Response accepted.

II-B-07 Financial Reporting – During the audit, we identified material amounts of receivables not recorded and revenue misclassifications in the District's financial statements. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables are identified and included in the District's financial statements and all revenues are properly classified.

Response – We will double check these in the future to avoid missing any receivables or revenue misclassifications.

Conclusion – Response accepted.

II-C-07 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 be implementing new fundraiser procedures for the year ending June 30, 2008.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements (continued):

Significant Deficiencies (continued):

II-D-07 Disbursements – Out of forty-one disbursements tested, one was not fully 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 prior to being paid.

Conclusion – Response accepted.

II-E-07 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 be preparing ticket reconciliations for the year ending June 30, 2008.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 84.215: Fund for the Improvement of Education
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliations, signing and distributing of checks, and the posting to the cash journals were 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 have assessed this finding and concluded that any further changes would not be cost effective.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted at year end. However, expenditures exceeded the amount budgeted in the other expenditures function prior to the amendment of the budget.

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

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 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.

IV-I-07 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

IV-J-07 Financial Condition – The District had deficit net assets of \$70,334 in the Enterprise, ABC Childcare Fund at June 30, 2007, which is an increase of \$58,318 from the prior year. In addition, the Special Revenue, Student Activity Fund had some deficit balances within the group of single activity accounts.

Recommendation – The District needs to explore alternatives to restore the ABC Childcare Fund to a sound financial condition. The ABC Childcare Fund also needs to try to collect on its insufficient funds checks and negative student accounts. 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 continuing to work on this.

Conclusion – Response accepted.

IV-K-07 Meal Allowances – We noted that an employee received a flat dollar meal allowance but the payments did not go through the District’s payroll process.

Recommendation – All flat dollar meal allowances should go through the payroll process with the appropriate taxes withheld. Alternatively, the District could switch to a supported plan where the employees would be reimbursed for actual meal expenses reported.

Response – We will correct our procedures for meal allowances.

Conclusion – Reponse accepted.