

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
CENTRAL CITY, IOWA

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

JUNE 30, 2008

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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 2007 Election)		
Kirk Hayes	President	2007
David Goodlove	Vice President	2009
Sue Pillard	Board Member	2008
Eric Rauch	Board Member	2009
Crystal Murphy	Board Member	(appointed 4/10/07) 2007
<u>Board of Education</u>		
(After September 2007 Election)		
David Goodlove	President	2009
Eric Rauch	Vice President	2009
Sue Pillard	Board Member	2008
Crystal Murphy	Board Member	2008
Neal Matthias	Board Member	2009
<u>School Officials</u>		
John Dotson	Superintendent	2008
Karla Hogan	District Secretary/Treasurer	2008
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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. 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, 2008, 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 December 18, 2008 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 and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 16 and 52 through 53 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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
December 18, 2008

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, 2008. 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 2007–2008 school year.
- The General Fund undesignated unreserved fund balance increased from \$911,248 in fiscal year 2007 to \$945,093 in fiscal year 2008. This equates to a 22.32% solvency ratio.
- The increase in General Fund revenue was attributable to an increase in state and federal revenue in fiscal year 2008. There was an increase in General Fund instructional expenditures of \$213,208.

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**

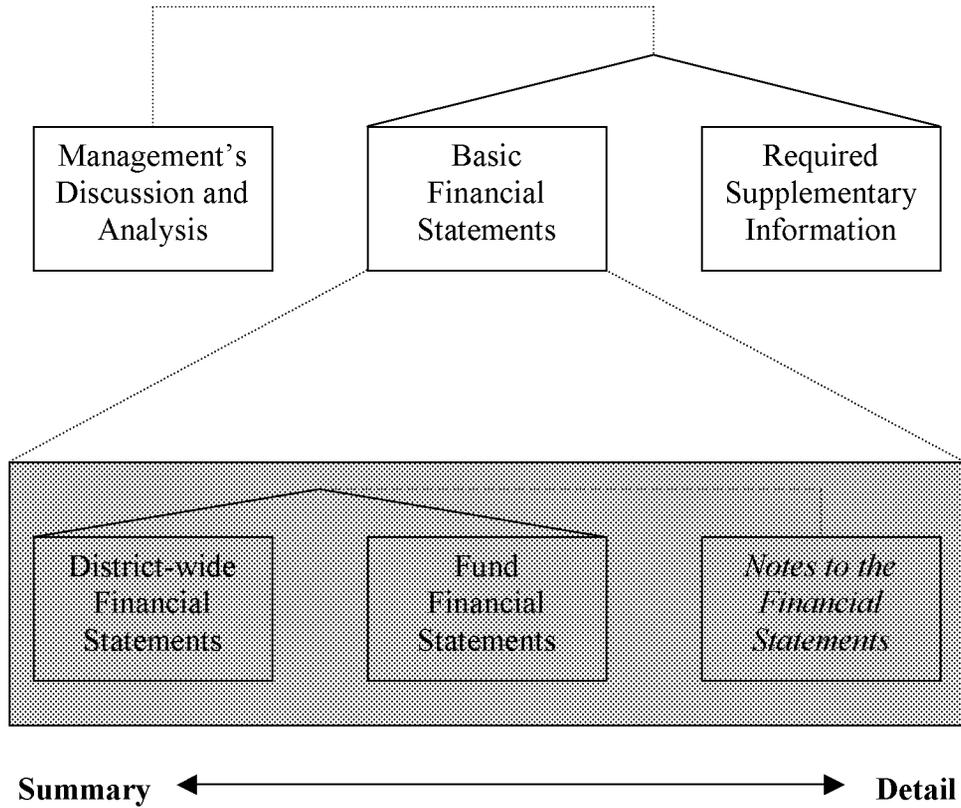


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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 increase, liabilities experienced a double-digit increase, long-term liabilities experienced a double-digit increase and restricted net assets experienced a double-digit decrease. Current and other assets increased 62.59%; long-term liabilities increased by 34.55% and restricted net assets decreased by 51.03%. The increase in current and other assets is because of the bond sale for the new gym and the decrease in restricted net assets is because of the School Infrastructure Levy Option (SILO) being used for the computer capital lease purchase agreement and demolition of the old high school. The increase in long-term obligations is because of the bond sale for the new gym and a capital lease purchase agreement with Apple, Inc. for the laptop program.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Current and other assets	3,200,022	5,222,624	42,671	49,658	3,242,693	5,272,282	62.59%
Capital assets	3,818,854	4,228,282	893,872	859,297	4,712,726	5,087,579	7.95%
Total Assets	7,018,876	9,450,906	936,543	908,955	7,955,419	10,359,861	30.22%
Long-term obligations	2,855,000	4,778,696	772,694	763,709	3,627,694	5,542,405	34.55%
Other liabilities	1,612,034	1,969,750	58,065	52,173	1,670,099	2,021,923	21.07%
Total Liabilities	4,467,034	6,748,446	830,759	815,882	5,297,793	7,564,328	42.78%
Net assets:							
Investment in capital assets, net of related debt	963,854	1,483,282	121,178	95,588	1,085,032	1,578,870	45.51%
Restricted	695,209	340,474	0	0	695,209	340,474	-51.03%
Unrestricted	892,779	878,704	(15,394)	(2,515)	877,385	876,189	-.14%
Total Net Assets	2,551,842	2,702,460	105,784	93,073	2,657,626	2,795,533	5.19%

Investment in capital assets (e.g. land, buildings, furniture and equipment) less any outstanding debt used to acquire those assets is \$1,578,870. 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 \$340,474 of net assets reflects amounts with external restrictions to which the funds can be used. The remaining balance of \$876,189 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.

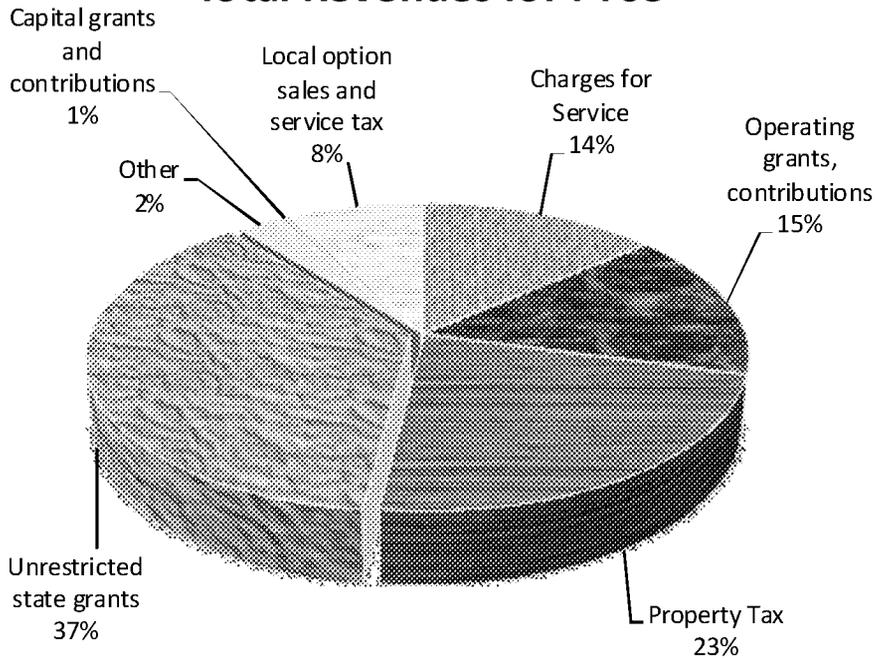
Changes In Net Assets as shown in Figure A-4 below, illustrates that the District as a whole experienced a 3.23 percent increase in operating revenue while experiencing an 11.56 percent increase in expenses. Property taxes and unrestricted state grants account for most of the district's revenue, with each contributing approximately 23 percent and 37 percent respectively of the total dollars raised (See Figure A-5).

Total cost for all programs and services rose 11.56 percent to \$5,783,514. The District's total expenditures are listed in Figure A-6. The chart shows that the majority of the District's expenditures (50%) are devoted to direct Instruction. The bulk of the 8.6 percent increase in instruction is due to negotiated salary and benefit increases. Another 34 percent is spent on Support Services.

Figure A-4
Changes in Net Assets

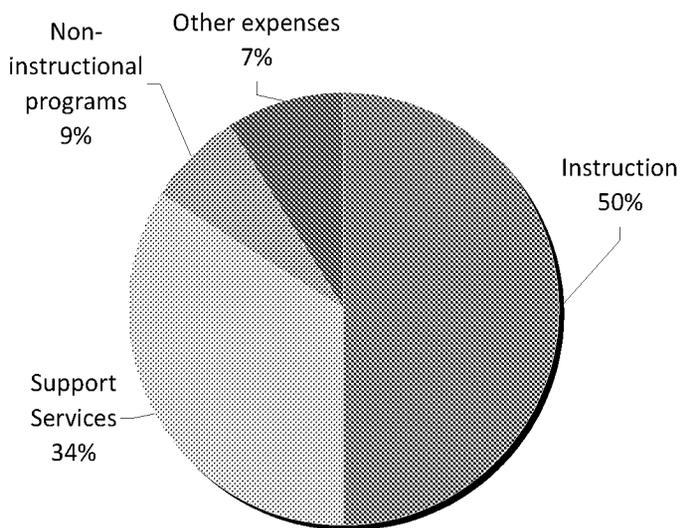
	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
Revenues:							
Program Revenues:							
Charges for Service	401,351	405,344	411,994	407,069	813,345	812,413	-11%
Operating grants and contributions and restricted interest	547,846	747,834	145,931	168,903	693,777	916,737	32.14%
Capital grants and contributions and restricted interest	450,000	50,000	157,084	0	607,084	50,000	-91.76%
General Revenues:							
Property tax	1,363,354	1,346,043	0	0	1,363,354	1,346,043	-1.27%
Local option sales and service tax	0	452,105	0	0	0	452,105	100.00%
Unrestricted state grants	2,136,558	2,200,207	0	0	2,136,558	2,200,207	2.98%
Other	121,895	143,787	148	129	122,043	143,916	17.92%
Total Revenues	5,021,004	5,345,320	715,157	576,101	5,736,161	5,921,421	3.23%
Program Expenses:							
Governmental activities:							
Instruction	2,673,377	2,904,107	0	0	2,673,377	2,904,107	8.63%
Support Services	1,337,820	1,924,070	54,049	51,524	1,391,869	1,975,594	41.94%
Non-instructional programs	142	0	571,858	537,288	572,000	537,288	-6.07%
Other expenses	477,707	366,525	0	0	477,707	366,525	-23.27%
Total Expenses	4,489,046	5,194,702	625,907	588,812	5,114,953	5,783,514	11.56%
Changes in net assets	531,958	150,618	89,250	(12,711)	621,208	137,907	-77.80%

**Figure A-5
Total Revenues for FY08**



The chart at the left shows that property tax and unrestricted state grants equates to 60% of the District's total revenue. Of the remaining 40%, 15% is from operating grants and contributions and restricted interest.

**Figure A-6
Total Expenses for FY08**



The chart to the left represents the District's total expenses for the fiscal year 2007-2008. Instruction and support services account for 84% of the District's expenses.

Governmental Activities

Revenues for governmental activities were \$5,345,320; a 6.46 percent increase and expenses were \$5,194,702, a 15.72 percent increase. This left a net change in assets of \$150,618. The net change in assets was due to increased revenue compared to fiscal year 2007. The increased revenues can be credited to the efforts of the district to keep a strong financial position:

- Operating grants and contributions and restricted interest account for 13.99 percent of the revenues for the current fiscal year.
- The district received \$452,105 in Local option sales and service tax (SILO tax); this was the first year for this tax.
- The district received the final \$50,000 of the Harkin Grant during fiscal year 2008.

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

FIGURE A-7						
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES						
	Total Cost of Services		Percentage Change	Net Cost of Service		Percentage Change
	2007	2008	2007-2008	2007	2008	2007-2008
Instruction	2,673,377	2,904,107	8.63%	1,902,828	1,932,886	1.58%
Support Services	1,337,820	1,924,070	43.82%	1,332,446	1,907,069	43.13%
Non-Instructional programs	142	0	-100.00%	142	0	-100.00%
Other Expenses	477,707	366,525	-23.27%	(145,567)	151,569	204.12%
Totals	4,489,046	5,194,702	15.72%	3,089,849	3,991,524	29.18%

- The cost of all governmental activities this year was \$5,194,702.
- Some of the cost was financed by the users of the District's programs, (\$405,344).
- The federal and state governments subsidized certain programs with grants and contributions, (\$797,834).
- Most of the District's costs (\$3.991 million) were financed by District and state taxpayers.
- This portion of governmental activities was financed primarily with \$1.346 million in property taxes, and \$2.200 million in unrestricted state aid based in large part on the statewide education aid formula.

Business-Type Activities

Revenues of the District's business-type activities were \$576,101 while expenses were \$588,812 (Refer to Figure A-4). At the present time, the two funds which comprise the business-type activities are the School Nutrition Fund and the ABC Childcare Fund. The revenues in the School Nutrition Fund can be broken down into two main categories: charges for services and federal/state reimbursements, the ABC Childcare Fund revenues can be broken down into two main categories: charges for services and federal/state reimbursements. The ABC Childcare also received a HACAP Wrap Around Grant for \$48,000.

During the year ended June 30, 2008, the District's net assets decreased in the business-type activities by \$12,711.

- The School Nutrition fund cash and cash equivalents decreased by \$3,829. School Nutrition fund accounts receivable decreased by \$3,768 because of a management decision to enforce unpaid balance policies.
- ABC Childcare fund cash and cash equivalents increased by \$8,646. The Childcare had a negative net asset balance of \$59,201, which decreased by \$11,133, on June 30, 2008. This was expected due to the Childcare policy and management changes. The Childcare's financial condition continues to be monitored closely by the District.

Financial Analysis of the District's Funds

At the end of fiscal year ended June 30, 2008, the District's governmental funds reported combined ending fund balances of \$3,319,663, an increase of \$1,711,195 in comparison with the prior year. The General Fund balance increased by \$33,845 in fiscal year 2008. Most significantly, a Capital Projects Fund had an ending fund balance of \$2,137,348, an increase of \$1,686,898 due to the bond sale for the gym project. The Physical Plant and Equipment Levy Fund decreased by \$29,630. This decrease was due to a management decision to use the PPEL fund to cover expenses associated with the demolition of the old high school. The Management Levy Fund balance increased from \$5,504 to \$22,100. This increase was due to a management decision to levy \$75,000 in taxes in this fund during the current year.

The District's proprietary enterprise funds changed mostly due to increased expenses in the School Nutrition enterprise fund during the current year. The ABC Childcare fund ending fund balance increased by \$11,133 while the School Nutrition Fund decreased by \$23,844.

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget was prepared according to GAAP basis accounting. A schedule showing the original and final

budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 52 and 53.

Legal Budgetary Highlights

The District's total actual revenues were \$160,770 more than the total budgeted revenues, a variance of 2.80%. The most significant difference was in the Capital Projects fund (\$248,903) due to the School Infrastructure Local Option Tax (SILO).

Total expenditures were less than budgeted by \$491,434. It is also the District's practice to budget the expenditures closer to the maximum authorized spending authority for the General Fund. The District then manages and controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. Actual expenditures, however, exceeded the budget in the support services and other expenditures functional line items due primarily to the District's budget for Support Services in the General fund and the Department of Educations coding requirements.

Capital Asset Administration

The District's investments in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$5,087,579 (net of accumulated depreciations). This investment in capital assets included land, buildings, vehicles and equipment (See Figure A-8). This amount represents a net increase of \$374,853 or 7.95 percent from last year.

The biggest change in comparing fiscal year 2008 with the previous year is in the Construction in Progress category. This was due to the high school building project being completed during fiscal year 2008 and the gym project being started.

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

	Governmental Activities		Business- Type Activities		Total School District		Total Change 2007- 2008
	2007	2008	2007	2008	2007	2008	
Land	\$ 69	\$ 69	-	-	\$ 69	\$ 69	0.00%
Construction In Progress	3,177	217	0	0	3,177	217	-93.15%
Buildings	457	3,840	726	\$711	1,183	4,551	284.41%
Furniture/Equipment	116	102	167	148	283	250	-13.34%
Totals	\$3,819	\$4,228	\$893	\$859	\$4,712	\$5,087	7.95%

Long-Term Liabilities

At year-end, the District had \$4,290,000 in general obligation bonds outstanding. This represents an increase of \$1,435,000 over the previous fiscal year due to the bond sale for the gym project as can be seen in Figure A-9 below. Further detailed information about long-term debt can be found in Note 6 to the financial statements.

Figure A-9 Outstanding Long-Term Obligations			
	Total School District		Total Change
	2007	2008	2007-2008
General Obligation Bonds	2,855,000	4,290,000	50.26%
Capital Lease Purchase	0	478,696	100.00%
Early Retirement	0	10,000	100.00%
TOTAL	2,855,000	4,778,696	67.38%

Factors Bearing on the District's Future

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

- The District's enrollment decreased on the October 2007 certified enrollment. The possibility of continued declining enrollment will affect the district's budgetary abilities, and could result in deficit spending in future years. This could also be affected by lower modified allowable growth as set by legislation.
- The Linn County voters approved a School Infrastructure Local Option (SILO) tax on February 13, 2007. This tax will generate approximately \$400,000 per year for the district for the first five years of the tax. Twenty five percent of this money will be spent on property tax reduction to buy down the general obligation bond payments.
- The district will continue to monitor expenditures and look at ways to increase the revenues of the district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Karla Hogan, (319) 438-1231, Central City Community School District, 400 Barber Street, Central City, Iowa.

Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,753,564	\$ 28,839	\$ 3,782,403
Receivables:			
Property tax:			
Current year	14,617	-	14,617
Succeeding year	1,265,000	-	1,265,000
Accounts	1,773	14,182	15,955
Due from other governments	187,670	776	188,446
Inventories	-	5,861	5,861
Capital assets, net of accumulated depreciation (note 5)	4,228,282	859,297	5,087,579
Total assets	9,450,906	908,955	10,359,861
Liabilities			
Accounts payable	229,270	1,477	230,747
Salaries and benefits payable	408,691	43,860	452,551
Accrued interest payable	66,789	-	66,789
Deferred revenue:			
Succeeding year property tax	1,265,000	-	1,265,000
Other	-	6,836	6,836
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	10,000	-	10,000
Bonds payable	115,000	-	115,000
Capital lease purchase agreement	136,770	9,473	146,243
Portion due after one year:			
Bonds payable	4,175,000	-	4,175,000
Capital lease purchase agreement	341,926	754,236	1,096,162
Total liabilities	6,748,446	815,882	7,564,328

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,483,282	\$ 95,588	\$ 1,578,870
Restricted for:			
Management levy	12,100	-	12,100
Physical plant and equipment levy	83,674	-	83,674
Other special revenue purposes	131,048	-	131,048
Capital projects	113,652	-	113,652
Unrestricted	<u>878,704</u>	<u>(2,515)</u>	<u>876,189</u>
Total net assets	<u>\$ 2,702,460</u>	<u>\$ 93,073</u>	<u>\$ 2,795,533</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 2,904,107	\$ 403,144	\$ 568,077	\$ -
Support services:				
Student services	108,379	-	2,080	-
Instructional staff services	716,225	-	-	-
Administration services	559,411	-	7,425	-
Operation and maintenance of plant services	363,219	2,200	-	-
Transportation services	176,836	-	5,296	-
	<u>1,924,070</u>	<u>2,200</u>	<u>14,801</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	8,687	-	-	50,000
Long-term debt interest and fiscal charges	169,701	-	-	-
AEA flowthrough	164,956	-	164,956	-
Depreciation (unallocated) *	23,181	-	-	-
	<u>366,525</u>	<u>-</u>	<u>164,956</u>	<u>50,000</u>
Total governmental activities	<u>5,194,702</u>	<u>405,344</u>	<u>747,834</u>	<u>50,000</u>
Business-Type Activities:				
Support services:				
Administration services	35,944	-	-	-
Operation and maintenance of plant services	15,520	-	-	-
Transportation services	60	-	-	-
	<u>51,524</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	194,857	101,796	69,373	-
Daycare operations	342,431	305,273	99,530	-
	<u>537,288</u>	<u>407,069</u>	<u>168,903</u>	<u>-</u>
Total business-type activities	<u>588,812</u>	<u>407,069</u>	<u>168,903</u>	<u>-</u>
Total	<u>\$ 5,783,514</u>	<u>\$ 812,413</u>	<u>\$ 916,737</u>	<u>\$ 50,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,932,886)	\$ -	\$ (1,932,886)
(106,299)	-	(106,299)
(716,225)	-	(716,225)
(551,986)	-	(551,986)
(361,019)	-	(361,019)
(171,540)	-	(171,540)
(1,907,069)	-	(1,907,069)
41,313	-	41,313
(169,701)	-	(169,701)
-	-	-
(23,181)	-	(23,181)
(151,569)	-	(151,569)
(3,991,524)	-	(3,991,524)
-	(35,944)	(35,944)
-	(15,520)	(15,520)
-	(60)	(60)
-	(51,524)	(51,524)
	(23,688)	(23,688)
	62,372	62,372
	38,684	38,684
-	(12,840)	(12,840)
(3,991,524)	(12,840)	(4,004,364)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

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
\$ 1,055,148	\$ -	\$ 1,055,148
231,182	-	231,182
59,713	-	59,713
452,105	-	452,105
2,200,207	-	2,200,207
42,619	129	42,748
101,168	-	101,168
4,142,142	129	4,142,271
150,618	(12,711)	137,907
2,551,842	105,784	2,657,626
\$ 2,702,460	\$ 93,073	\$ 2,795,533

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<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	\$ 1,311,786	\$ 1,214	\$ 2,202,776	\$ 237,788	\$ 3,753,564
Receivables:					
Property tax:					
Current year	10,912	2,272	-	1,433	14,617
Succeeding year	914,000	197,000	-	154,000	1,265,000
Interfund receivable (note 4)	3,086	-	-	-	3,086
Accounts	1,773	-	-	-	1,773
Due from other governments	126,706	-	60,964	-	187,670
Total assets	<u>\$ 2,368,263</u>	<u>\$ 200,486</u>	<u>\$ 2,263,740</u>	<u>\$ 393,221</u>	<u>\$ 5,225,710</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 100,479	\$ -	\$ 126,392	\$ 2,399	\$ 229,270
Salaries and benefits payable	408,691	-	-	-	408,691
Interfund payable (note 4)	-	3,086	-	-	3,086
Deferred revenue:					
Succeeding year property tax	914,000	197,000	-	154,000	1,265,000
Total liabilities	<u>1,423,170</u>	<u>200,086</u>	<u>126,392</u>	<u>156,399</u>	<u>1,906,047</u>
Fund balance:					
Reserved for:					
Debt service	-	400	-	-	400
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	236,822	236,822
Undesignated	945,093	-	2,137,348	-	3,082,441
Total fund balances	<u>945,093</u>	<u>400</u>	<u>2,137,348</u>	<u>236,822</u>	<u>3,319,663</u>
Total liabilities and fund balances	<u>\$ 2,368,263</u>	<u>\$ 200,486</u>	<u>\$ 2,263,740</u>	<u>\$ 393,221</u>	<u>\$ 5,225,710</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, 2008

Total fund balances of governmental funds	\$ 3,319,663
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.	4,228,282
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.	(66,789)
Long-term liabilities, including bonds payable, capital lease purchase agreements and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,778,696)</u>
Net assets of governmental activities	\$ <u><u>2,702,460</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, 2008

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 979,307	\$ 230,959	\$ 452,105	\$ 134,435	\$ 1,796,806
Tuition	231,913	-	-	-	231,913
Other	74,437	599	66,798	159,717	301,551
State sources	2,802,332	223	-	132	2,802,687
Federal sources	146,649	-	50,000	-	196,649
Total revenues	<u>4,234,638</u>	<u>231,781</u>	<u>568,903</u>	<u>294,284</u>	<u>5,329,606</u>
Expenditures:					
Current:					
Instruction	2,747,358	-	-	145,031	2,892,389
Support services:					
Student services	108,379	-	-	-	108,379
Instructional staff services	169,144	-	547,081	-	716,225
Administration services	523,316	-	-	34,683	557,999
Operation and maintenance of plant services	336,879	-	-	32,444	369,323
Transportation services	160,228	-	-	720	160,948
	<u>1,297,946</u>	<u>-</u>	<u>547,081</u>	<u>67,847</u>	<u>1,912,874</u>
Other expenditures:					
Facilities acquisition	-	-	438,620	15,590	454,210
Long term debt:					
Principal	-	178,385	-	-	178,385
Interest and fiscal charges	-	123,392	-	-	123,392
AEA flowthrough	164,956	-	-	-	164,956
	<u>164,956</u>	<u>301,777</u>	<u>438,620</u>	<u>15,590</u>	<u>920,943</u>
Total expenditures	<u>4,210,260</u>	<u>301,777</u>	<u>985,701</u>	<u>228,468</u>	<u>5,726,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,378</u>	<u>(69,996)</u>	<u>(416,798)</u>	<u>65,816</u>	<u>(396,600)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<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	\$ 9,467	\$ -	\$ -	\$ -	9,467
Compensation for loss of capital assets	-	-	-	6,247	6,247
Interfund transfers in (note 3)	-	68,385	80,000	-	148,385
Interfund transfers out (note 3)	-	-	(68,385)	(80,000)	(148,385)
General obligation bonds issued	-	-	1,545,000	-	1,545,000
Capital lease purchase agreement	-	-	547,081	-	547,081
Total other financing sources (uses)	<u>9,467</u>	<u>68,385</u>	<u>2,103,696</u>	<u>(73,753)</u>	<u>2,107,795</u>
Net change in fund balances	33,845	(1,611)	1,686,898	(7,937)	1,711,195
Fund balances beginning of year	<u>911,248</u>	<u>2,011</u>	<u>450,450</u>	<u>244,759</u>	<u>1,608,468</u>
Fund balances end of year	<u>\$ 945,093</u>	<u>\$ 400</u>	<u>\$ 2,137,348</u>	<u>\$ 236,822</u>	<u>\$ 3,319,663</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, 2008

Net change in fund balances - total governmental funds \$ 1,711,195

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 not 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	\$ 458,584	
Depreciation expense	<u>(49,156)</u>	409,428

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (2,092,081)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 178,385

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. (46,309)

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

Change in net assets of governmental activities \$ 150,618

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	ABC Childcare	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 7,568	\$ 8,347	\$ 15,915
Cash with fiscal agent	12,924	-	12,924
Accounts receivable	13,797	385	14,182
Due from other governments	776	-	776
Inventories	-	5,861	5,861
Capital assets, net of accumulated depreciation (note 5)	710,829	148,468	859,297
Total assets	<u>745,894</u>	<u>163,061</u>	<u>908,955</u>
Liabilities			
Accounts payable	1,477	-	1,477
Salaries and benefits payable	35,415	8,445	43,860
Deferred revenue	4,494	2,342	6,836
Long-term liabilities (note 6):			
Portion due within one year:			
Capital lease purchase agreement	9,473	-	9,473
Portion due after one year:			
Capital lease purchase agreement	754,236	-	754,236
Total liabilities	<u>805,095</u>	<u>10,787</u>	<u>815,882</u>
Net Assets			
Invested in capital assets, net of related debt	(52,880)	148,468	95,588
Unrestricted	<u>(6,321)</u>	<u>3,806</u>	<u>(2,515)</u>
Total net assets	<u>\$ (59,201)</u>	<u>\$ 152,274</u>	<u>\$ 93,073</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>ABC Childcare</u>	<u>School Nutrition</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 305,273	\$ 101,374	\$ 406,647
Operating expenses:			
Support services:			
Administration services	35,734	210	35,944
Operation and maintenance of plant services	15,520	-	15,520
Transportation services	60	-	60
Non-instructional programs	342,431	194,857	537,288
	<u>393,745</u>	<u>195,067</u>	<u>588,812</u>
Operating loss	<u>(88,472)</u>	<u>(93,693)</u>	<u>(182,165)</u>
Non-operating revenues:			
Interest on investments	75	54	129
Contributions	5	-	5
State sources	-	2,449	2,449
Federal sources	99,525	66,924	166,449
Gain on sale of capital assets	-	422	422
Total non-operating revenues	<u>99,605</u>	<u>69,849</u>	<u>169,454</u>
Change in net assets	11,133	(23,844)	(12,711)
Net assets beginning of year	<u>(70,334)</u>	176,118	<u>105,784</u>
Net assets end of year	<u>\$ (59,201)</u>	<u>\$ 152,274</u>	<u>\$ 93,073</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	ABC Childcare	School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 104,631	\$ 104,631
Cash received from miscellaneous operating activities	302,346	404	302,750
Cash payments to employees for services	(303,863)	(78,927)	(382,790)
Cash payments to suppliers for goods or services	(81,135)	(91,249)	(172,384)
Net cash used by operating activities	<u>(82,652)</u>	<u>(65,141)</u>	<u>(147,793)</u>
Cash flows from non-capital financing activities:			
Contributions received	5	-	5
State grants received	-	2,449	2,449
Federal grants received	100,203	55,495	155,698
Net cash provided by non-capital financing activities	<u>100,208</u>	<u>57,944</u>	<u>158,152</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	-	3,314	3,314
Principal paid on capital lease	(8,985)	-	(8,985)
Net cash provided by (used by) capital and related financing activities	<u>(8,985)</u>	<u>3,314</u>	<u>(5,671)</u>
Cash flows from investing activities:			
Interest on investments	75	54	129
Net increase (decrease) in cash and cash equivalents	8,646	(3,829)	4,817
Cash and cash equivalents beginning of year	<u>11,846</u>	<u>12,176</u>	<u>24,022</u>
Cash and cash equivalents end of year	<u>\$ 20,492</u>	<u>\$ 8,347</u>	<u>\$ 28,839</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	ABC Childcare	School Nutrition	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (88,472)	\$ (93,693)	\$ (182,165)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	15,796	15,887	31,683
Commodities used	-	11,429	11,429
(Increase) decrease in accounts receivable	(6,967)	3,768	(3,199)
Decrease in inventories	-	351	351
Increase in accounts payable	634	-	634
(Decrease) in salaries and benefits payable	(7,683)	(2,776)	(10,459)
Increase (decrease) in deferred revenue	4,040	(107)	3,933
Net cash used by operating activities	<u>\$ (82,652)</u>	<u>\$ (65,141)</u>	<u>\$ (147,793)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$11,429 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2008

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>62,015</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>62,015</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, 2008

	<u>Private Purpose</u>	<u>Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	120
Interest		<u>2,130</u>
Total additions		<u>2,250</u>
Deductions:		
Support services:		
Scholarships awarded		<u>5,222</u>
Change in net assets		(2,972)
Net assets beginning of year		<u>64,987</u>
Net assets end of year	\$	<u><u>62,015</u></u>
See notes to financial statements.		

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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, 2008

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 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 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, 2008

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.

The 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, 2008

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.

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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, 2008, 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, 2008

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 governmental activities in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned daycare and meal revenues.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

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, 2008.

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. Net assets restricted through enabling legislation as of June 30, 2008 consists of \$340,474.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008

Note 2. Cash and Pooled Investments (continued)

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>403,928</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, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 68,385
Capital Projects	Special Revenue: Physical Plant and Equipment Levy	<u>80,000</u>
Total		\$ <u>148,385</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, 2008 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>3,086</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, 2008

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2008 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	3,176,534	217,477	3,176,534	217,477
Total capital assets not being depreciated	<u>3,245,534</u>	<u>217,477</u>	<u>3,176,534</u>	<u>286,477</u>
Capital assets being depreciated:				
Buildings	1,541,424	3,404,580	-	4,946,004
Furniture and equipment	800,552	13,061	72,914	740,699
Total capital assets being depreciated	<u>2,341,976</u>	<u>3,417,641</u>	<u>72,914</u>	<u>5,686,703</u>
Less accumulated depreciation for:				
Buildings	1,084,111	21,539	-	1,105,650
Furniture and equipment	684,545	27,617	72,914	639,248
Total accumulated depreciation	<u>1,768,656</u>	<u>49,156</u>	<u>72,914</u>	<u>1,744,898</u>
Total capital assets being depreciated, net	<u>573,320</u>	<u>3,368,485</u>	<u>-</u>	<u>3,941,805</u>
Governmental activities capital assets, net	<u>\$ 3,818,854</u>	<u>\$ 3,585,962</u>	<u>\$ 3,176,534</u>	<u>\$ 4,228,282</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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	215,611	-	31,001	184,610
Total capital assets being depreciated	<u>1,005,420</u>	<u>-</u>	<u>31,001</u>	<u>974,419</u>
Less accumulated depreciation for:				
Buildings	63,184	15,796	-	78,980
Furniture and equipment	48,364	15,887	28,109	36,142
Less accumulated depreciation	<u>111,548</u>	<u>31,683</u>	<u>28,109</u>	<u>115,122</u>
Business-type activities capital assets, net	<u>\$ 893,872</u>	<u>\$ (31,683)</u>	<u>\$ 2,892</u>	<u>\$ 859,297</u>

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

Governmental activities:	
Instruction	\$ 8,675
Support services:	
Administration	1,412
Transportation	<u>15,888</u>
	25,975
Unallocated depreciation	<u>23,181</u>
Total governmental activities depreciation expense	<u>\$ 49,156</u>
Business-type activities:	
Food service operations	\$ 15,887
Daycare operations	<u>15,796</u>
Total business-type activities depreciation expense	<u>\$ 31,683</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Capital Lease Purchase Agreement	Total
Balance beginning of year	\$ -	\$ 2,855,000	\$ -	\$ 2,855,000
Additions	10,000	1,545,000	547,081	2,102,081
Reductions	-	110,000	68,385	178,385
Balance end of year	<u>\$ 10,000</u>	<u>\$ 4,290,000</u>	<u>\$ 478,696</u>	<u>\$ 4,778,696</u>
Due within one year	<u>\$ 10,000</u>	<u>\$ 115,000</u>	<u>\$ 136,770</u>	<u>\$ 261,770</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 January following the start of retirement.

At June 30, 2008, the District has obligations to one participant with a total liability of \$10,000. There were no actual early retirement expenditures for the year ended June 30, 2008. The long-term portion of early retirement is recorded as a long-term liability of the governmental activities in the District-wide financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
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>\$ 2,745,000</u>	<u>\$ 1,180,398</u>	<u>\$ 3,925,398</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue dated November 1, 2007			
	Interest Rates	Principal	Interest	Total
2009	- %	\$ -	\$ 106,050	\$ 106,050
2010	4.750	35,000	70,700	105,700
2011	4.750	40,000	69,038	109,038
2012	4.750	40,000	67,138	107,138
2013	4.750	45,000	65,238	110,238
2014	4.750	45,000	63,100	108,100
2015	4.750	50,000	60,962	110,962
2016	4.750	55,000	58,588	113,588
2017	4.750	55,000	55,976	110,976
2018	4.750	55,000	53,362	108,362
2019	4.200	60,000	50,750	110,750
2020	4.250	60,000	48,230	108,230
2021	4.300	65,000	45,680	110,680
2022	4.350	70,000	42,886	112,886
2023	4.400	75,000	39,840	114,840
2024	4.450	75,000	36,540	111,540
2025	4.500	80,000	33,202	113,202
2026	4.600	315,000	29,602	344,602
2027	4.650	325,000	15,112	340,112
		<u>\$ 1,545,000</u>	<u>\$ 1,011,994</u>	<u>\$ 2,556,994</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2009	\$ 115,000	\$ 223,982	\$ 338,982
2010	155,000	183,456	338,456
2011	165,000	176,394	341,394
2012	170,000	168,870	338,870
2013	180,000	161,119	341,119
2014	185,000	152,906	337,906
2015	195,000	145,518	340,518
2016	205,000	137,526	342,526
2017	215,000	128,988	343,988
2018	220,000	119,894	339,894
2019	230,000	110,436	340,436
2020	240,000	100,776	340,776
2021	250,000	90,575	340,575
2022	265,000	79,826	344,826
2023	275,000	68,200	343,200
2024	285,000	56,000	341,000
2025	300,000	43,212	343,212
2026	315,000	29,602	344,602
2027	325,000	15,112	340,112
	<u>\$ 4,290,000</u>	<u>\$ 2,192,392</u>	<u>\$ 6,482,392</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

During the year ended June 30, 2008, the District entered into an interest-free agreement for the lease purchase of computers and computer equipment. The agreement provides for eight semi-annual payments of \$68,385.

Details of the District's June 30, 2008 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2009	\$ 136,770
2010	136,770
2011	136,770
2012	<u>68,386</u>
	<u>\$ 478,696</u>

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 772,694
Additions	-
Reductions	<u>8,985</u>
Balance end of year	<u>\$ 763,709</u>
Due within one year	<u>\$ 9,473</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, 2008

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2008 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
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	35,566	741	36,307
	<u>\$ 763,709</u>	<u>\$ 733,238</u>	<u>\$ 1,496,947</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$164,676, \$147,899, and \$142,191, 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 \$164,956 for the year ended June 30, 2008 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 has entered into various contracts totaling \$2,539,300 for demolition of the old high school and construction of a new gym. As of June 30, 2008, work had not yet begun on the projects.

Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2008

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,330,270	\$ 407,203	\$ 2,737,473	\$ 2,692,968	\$ 44,505
State sources	2,802,687	2,449	2,805,136	2,766,969	38,167
Federal sources	196,649	166,449	363,098	285,000	78,098
Total revenues	5,329,606	576,101	5,905,707	5,744,937	160,770
EXPENDITURES/EXPENSES:					
Instruction	2,892,389	-	2,892,389	3,045,000	152,611
Support services	1,912,874	51,524	1,964,398	1,405,000	(559,398)
Non-instructional programs	-	537,288	537,288	650,000	112,712
Other expenditures	920,943	-	920,943	723,584	(197,359)
Total expenditures/expenses	5,726,206	588,812	6,315,018	5,823,584	(491,434)
Excess (deficiency) of revenues over (under) expenditures/ expenses	(396,600)	(12,711)	(409,311)	(78,647)	(330,664)
Other financing sources, net	2,107,795	-	2,107,795	-	2,107,795
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,711,195	(12,711)	1,698,484	(78,647)	1,777,131
Balance beginning of year	1,608,468	105,784	1,714,252	518,258	1,195,994
Balance end of year	\$ <u>3,319,663</u>	\$ <u>93,073</u>	\$ <u>3,412,736</u>	\$ <u>439,611</u>	\$ <u>2,973,125</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 ended June 30, 2008, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

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Other Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2008

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 21,267	\$ 133,447	\$ 83,074	\$ 237,788
Receivables:				
Property tax:				
Current year	833	-	600	1,433
Succeeding year	69,000	-	85,000	154,000
	\$ 91,100	\$ 133,447	\$ 168,674	\$ 393,221
Total assets				
	\$ 91,100	\$ 133,447	\$ 168,674	\$ 393,221
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 2,399	\$ -	\$ 2,399
Deferred revenue:				
Succeeding year property tax	69,000	-	85,000	154,000
Total liabilities	69,000	2,399	85,000	156,399
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	22,100	131,048	83,674	236,822
Total fund equity	22,100	131,048	83,674	236,822
	\$ 91,100	\$ 133,447	\$ 168,674	\$ 393,221
Total liabilities and fund equity				

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, 2008

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 74,779	\$ -	\$ 59,656	\$ 134,435
Other	9,589	150,128	-	159,717
State sources	75	-	57	132
Total revenues	<u>84,443</u>	<u>150,128</u>	<u>59,713</u>	<u>294,284</u>
Expenditures:				
Current:				
Instruction	-	145,031	-	145,031
Support services:				
Administration services	34,683	-	-	34,683
Operation and maintenance of plant services	32,444	-	-	32,444
Transportation services	720	-	-	720
Other expenditures:				
Facilities acquisition	-	-	15,590	15,590
Total expenditures	<u>67,847</u>	<u>145,031</u>	<u>15,590</u>	<u>228,468</u>
Excess of revenues over expenditures	16,596	5,097	44,123	65,816
Other financing sources (uses):				
Compensation for loss of capital assets	-	-	6,247	6,247
Interfund transfers out	-	-	(80,000)	(80,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(73,753)</u>	<u>(73,753)</u>
Net change in fund balances	16,596	5,097	(29,630)	(7,937)
Fund balances beginning of year	<u>5,504</u>	<u>125,951</u>	<u>113,304</u>	<u>244,759</u>
Fund balances end of year	<u>\$ 22,100</u>	<u>\$ 131,048</u>	<u>\$ 83,674</u>	<u>\$ 236,822</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, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ -	\$ -	422	\$ (422)
Vocal Music	-	805	805	-
Musical	-	995	995	-
Music Trip	546	12,122	13,176	(508)
Band/Choir Fundraiser	-	284	284	-
Instrumental Music	-	2,585	2,585	-
Summer Weight Program	685	503	1,188	-
Athletic Gate Receipts	-	6,134	5,745	389
Athletic Pop Sales	1,693	564	-	2,257
Pop Sales All	-	4,246	3,253	993
Golf	-	120	120	-
Boys Basketball	-	2,442	2,442	-
Boys Basketball Fundraising	-	1,814	650	1,164
Football	-	7,278	7,278	-
District Football	-	300	26	274
Football Fundraising	1,153	2,145	4,088	(790)
Baseball	57	4,395	4,452	-
Baseball Fundraising	50	12,762	11,486	1,326
Boys Track	-	2,138	2,138	-
Wrestling	-	3,349	3,349	-
Wrestling Fundraising	-	1,919	1,857	62
Girls Basketball	-	1,688	1,688	-
Girls Basketball Fundraising	-	-	984	(984)
Volleyball	-	2,048	2,048	-
Volleyball Fundraising	430	1,513	1,019	924
Softball	277	3,732	4,009	-
Softball Fundraising	1,769	2,051	3,184	636
Girls Track	-	600	600	-
Conference Leadership	89	-	89	-
Library Book Fair	222	6,136	6,136	222
Pictures	3,801	292	147	3,946
Playground	168	259	165	262
Ice Cream Machine	1,149	1,813	1,594	1,368
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
Class of 2006	1,467	-	-	1,467

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2007	\$ 2,597	\$ -	\$ 318	\$ 2,279
Class of 2008	1,207	460	580	1,087
Class of 2009	4,927	-	1,956	2,971
Class of 2010	1,128	400	-	1,528
Class of 2011	4,014	-	-	4,014
Class of 2012	2,523	5,459	5,019	2,963
Class of 2013	1,571	5,714	4,160	3,125
Class of 2014	-	4,190	2,941	1,249
FFA	(295)	13,810	11,562	1,953
National Honor Society	2,403	756	498	2,661
Student Council	1,254	2,568	2,386	1,436
Art Club	2,811	2,016	2,936	1,891
Foods Club	(174)	690	498	18
MS Cheerleading	14	11	25	-
MS Student Council	448	1,044	955	537
Elementary Pictures	6,421	1,490	1,388	6,523
School Cents	38,595	5,066	2,895	40,766
Student Projects	3,491	10	-	3,501
Greenhouse	3,711	-	-	3,711
Yearbook	(7,762)	2,250	276	(5,788)
Pep Bus	335	-	-	335
Interest	21,832	9,409	7,138	24,103
General Courtesy Account	5,395	3,779	4,462	4,712
Football Cheerleading	1,628	1,645	2,752	521
Basketball Cheerleading	903	724	894	733
Wrestling Cheerleading	1,065	1,532	1,880	717
Sassmeisters	4,168	9,071	8,634	4,605
Padlocks	34	-	-	34
CSB Student Projects	250	-	-	250
Variety Show	1,965	-	1,874	91
Intrafund Transfers	-	(8,998)	(8,998)	-
Total	\$ 125,951	\$ 150,128	\$ 145,031	\$ 131,048

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,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 1,796,806	\$ 1,361,071	\$ 1,336,164	\$ 1,169,740
Tuition	231,913	171,375	176,263	157,642
Other	301,551	316,899	377,208	323,758
State sources	2,802,687	2,551,932	2,444,228	2,301,520
Federal sources	196,649	584,754	137,321	151,637
Total revenues	<u>\$ 5,329,606</u>	<u>\$ 4,986,031</u>	<u>\$ 4,471,184</u>	<u>\$ 4,104,297</u>
Expenditures:				
Instruction	\$ 2,892,389	\$ 2,690,255	\$ 2,535,433	\$ 2,391,619
Support services:				
Student services	108,379	101,494	84,274	111,030
Instructional staff services	716,225	168,569	133,947	127,729
Administration services	557,999	507,777	485,724	527,429
Operation and maintenance of plant services	369,323	393,700	349,764	281,444
Transportation services	160,948	139,881	129,801	207,612
Non-instructional programs	-	142	2,837	-
Other expenditures:				
Facilities acquisition	454,210	1,852,386	1,365,909	187,343
Long-term debt:				
Principal	178,385	105,000	100,000	50,419
Interest and fiscal charges	123,392	127,811	132,512	3,605
AEA flowthrough	164,956	159,667	149,095	143,928
Total expenditures	<u>\$ 5,726,206</u>	<u>\$ 6,246,682</u>	<u>\$ 5,469,296</u>	<u>\$ 4,032,158</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central City Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 18, 2008. 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.

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 I of the accompanying Schedule of Findings 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. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2008 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. 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
December 18, 2008

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-08 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.

I-B-08 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, 2009.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget – Expenditures for the year ended June 30, 2008, exceeded the amounts budgeted in the support services and other expenditures functions.

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 – This was due to the new computer capital lease purchase and construction costs. In the future, we will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

II-B-08 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.

II-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-I-08 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition – The District had deficit net assets of \$59,201 in the Enterprise, ABC Childcare Fund at June 30, 2008. 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 that it generates. The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate these deficits.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

II-J-08 Financial Condition (continued)

Response – We are continuing to work on this. The ABC Childcare Fund deficit has improved by \$11,133 during the year ended June 30, 2008.

Conclusion – Response accepted.