

**CENTRAL COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2010**

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CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Susan Ruhser	President	2009
Lori Bouska	Vice President	2009
Kevin Lau	Board Member	2009
Rachel Jaster	Board Member	2009
Jolene Jansen	Board Member	2011
Kristin Fitzgerald	Board Member	2011
Robert Hankey	Board Member	2011
(After September 2009 Election)		
Kevin Lau	President	2013
Kristin Fitzgerald	Vice President	2011
Jolene Jansen	Board Member	2011
Robert Hankey	Board Member	2011
Dan Lane	Board Member	2013
Julie Suhr	Board Member	2013
Rachel Jaster	Board Member	2013
School Officials		
Galen Reinsmoen	Superintendent	2010
Joyce Piorkowski	District Secretary/Treasurer and Business Manager	Indefinite
Brian Gruhn	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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## Independent Auditor's Report

To the Board of Education of  
Central 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 Community School District, Elkader, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2010 on our consideration of Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 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. 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 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 six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa  
November 12, 2010

*Dietz, Donald & Company*  
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Certified Public Accountants  
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## *Central Community School District*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2010 FINANCIAL HIGHLIGHTS

General Fund revenues decreased from \$ 5,238,069 in fiscal 2009 to \$ 5,077,569 in fiscal 2010, while General Fund expenditures decreased from \$ 5,159,011 in fiscal 2009 to \$ 5,142,262 in fiscal 2010. The District's General Fund balance decreased from \$ 186,741 at the end of fiscal year 2009 to \$ 122,048 at the end of fiscal year 2010, a 35% decrease.

The decrease in General Fund revenues was due mainly to a decrease in state foundation aid. The slight decrease in expenditures was due primarily to the Board taking steps to alleviate a negative carryover balance in spending authority.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Central Community School District acts solely as custodian for the benefit of those outside the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the major non-governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near-future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way in the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and

additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, a Private Purpose Trust Fund. In the Private-Purpose Trust Fund, the District accounts for outside donations for scholarships for individual students.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's net assets at June 30, 2010 compared to June 30, 2009 is provided below:

Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30		June 30		June 30		June 30
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,082	4,637	61	37	4,143	4,674	- 11.4%
Capital assets	1,877	1,713	25	13	1,902	1,726	10.2%
Total assets	5,959	6,350	86	50	6,045	6,400	- 5.5%
Long-term liabilities	64	30	0	0	64	30	113.3%
Other liabilities	2,928	3,556	6	3	2,934	3,559	- 17.6%
Total liabilities	2,992	3,586	6	3	2,998	3,589	- 16.5%
Net assets:							
Invested in capital assets	1,877	1,713	25	13	1,902	1,726	10.2%
Restricted	498	426	0	0	498	426	16.9%
Unrestricted	592	625	55	34	647	659	- 0.2%
Total net assets	\$ 2,967	2,764	80	47	3,047	2,811	8.4%

The District's combined net assets increased 8.4%, or approximately \$ 236,000 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g. land, infrastructure, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$ 72,000 or 16.9% over the prior year.

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased approximately \$ 12,000 or 0.2%.

The following schedule shows the change in net assets for the years ended June 30, 2010 compared to the year ended June 30, 2009.

		Changes in Net Assets (Expressed in Thousands)						
		Governmental Activities		Business Type Activities		Total District		Total Change
		June 30, 2010	2009	June 30, 2010	2009	June 30, 2010	2009	2009-10
Revenues:								
Program revenues:								
Charges for service	\$	504	398	144	163	648	561	15.5%
Operating grants and contributions		983	1,108	107	99	1,090	1,207	- 9.7%
Capital grants		113	0	13	0	126	0	100.0%
General revenues:								
Property tax		2,035	1,839	0	0	2,035	1,839	10.7%
State-wide sales, services and use tax		302	326	0	0	302	326	- 7.4%
Income tax surtax		257	220	0	0	257	220	16.8%
Unrestricted state grants		1,736	2,348	0	0	1,736	2,348	- 26.1%
Unrestricted investment earnings		27	40	0	1	27	41	- 34.1%
Other		26	12	0	0	26	12	117.7%
Total revenues		5,983	6,291	264	263	6,247	6,554	- 4.7%
Program expenses:								
Governmental activities:								
Instruction		3,841	3,812	0	0	3,841	3,812	0.8%
Support services		1,573	1,596	3	0	1,576	1,596	- 1.3%
Non-instructional programs		13	0	227	269	240	269	- 10.8%
Other expenses		353	538	0	0	353	538	- 34.4%
Total expenses		5,780	5,964	230	269	6,010	6,215	- 3.3%
Increase (decrease) in net assets		203	345	34	(6)	237	339	- 30.1%
Net assets beginning of year		2,764	2,419	46	52	2,810	2,471	13.7%
Net assets end of year	\$	2,967	2,764	80	46	3,047	2,810	8.4%

In fiscal year 2010, property tax and unrestricted state grants accounted for 63.0% of governmental activities revenue while charges for service and operating grants accounted for 95.1% of business type activities revenue.

The District's total revenues were approximately \$ 6.25 million of which \$ 5.98 million was for governmental activities and over \$ 264,000 was for business type activities.

As shown above, the District as a whole experienced a 4.7% decrease in revenues and a 3.3% decrease in expenses. Property taxes increased approximately \$ 196,000, while unrestricted state grants decreased approximately \$ 612,000. The decrease in expenses was primarily due to a decrease in facilities acquisition of \$ 195,000.

### Governmental Activities

Revenues for governmental activities were \$ 5,982,605 and expenses were \$ 5,779,898. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net costs of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 3,841	3,812	0.8%	\$ 2,653	2,783	- 4.7%
Support services	1,573	1,597	- 1.5%	1,500	1,550	- 3.2%
Non-instructional programs	13	0	100.0%	13	0	100.0%
Other expenses	353	538	- 34.4%	15	108	-861.0%
<b>Total</b>	<b>\$ 5,780</b>	<b>5,947</b>	<b>- 2.8%</b>	<b>\$ 4,181</b>	<b>4,441</b>	<b>- 5.9%</b>

For the year ended June 30, 2010:

The cost financed by users of the District's programs was \$ 504,062.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 1,095,167.

The net cost of governmental activities was financed with \$ 2,593,978 in property and other taxes and \$ 1,735,728 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2010 were \$ 264,467, representing a 0.6% increase over the prior year, while expenses totaled \$ 230,407, a 14.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Central Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$ 1,153,965, a significant increase over last year's ending fund balance of \$ 1,081,014.

### **Governmental Fund Highlights**

The General Fund balance decreased from \$ 186,741 to \$ 122,048. Revenues decreased \$ 160,500, while expenditures decreased \$ 16,749.

The Capital Projects Fund balance increased from \$ 493,216 to \$ 593,465. Although statewide sales, service and use tax decreased \$ 23,768, expenditures were \$ 222,900 less.

### **Proprietary Fund Highlights**

School Nutrition fund net assets increased from \$ 46,269 at June 30, 2009 to \$ 80,329 at June 30, 2010, representing an increase of approximately 74%. For fiscal 2010, the District's expenses decreased \$ 41,225, while revenues decreased \$ 11,309.

### **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$ 352,520 less than total budgeted revenues, a variance of 5.3%. Even though local tax revenue increased in fiscal 2010, a reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested approximately \$ 1.9 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net increase of 10.2% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$ 162,577.

The original cost of the District's capital assets was approximately \$ 5.1 million. Governmental funds account for \$ 5.0 million with the remainder of approximately \$ 0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital assets during the year occurred in the improvements other than building category, which increased \$ 126,858 due to moving the softball diamond from the school to the city park.

Capital Assets, net of Depreciation  
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 163	163	0	0	163	163	0.0%
Buildings	1,299	1,275	0	0	1,299	1,275	1.9%
Improvements other than buildings	125	0	0	0	125	0	100.0%
Furniture and equipment	290	275	25	13	315	288	9.4%
Total	\$ 1,877	1,713	25	13	1,902	1,726	10.2%

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has experienced declining enrollment for the past three years and expects that trend to continue. Taxable valuations in the District declined 0.7% to \$ 142,215,011 due to the 2008 flood.

Budgeted disbursements for fiscal year 2011 are \$ 733,362 more than the final budgeted amount for fiscal 2010, a 160% increase. The proposed property tax rate for 2011 is 14.33428 per \$ 1000 taxable valuation) a 0.3% increase from fiscal 2010.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Piorkowski, District Secretary/Treasurer and Business Manager, Central Community School District, 400 First Street NW, Elkader, Iowa 52043.

**BASIC FINANCIAL STATEMENTS**

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,637,854	50,560	1,688,414
Receivables:			
Property tax:			
Delinquent	49,578	-	49,578
Succeeding year	2,003,431	-	2,003,431
Accounts	1,028	1,208	2,236
Due from other governments	388,959	655	389,614
Inventories	-	8,088	8,088
Prepaid expenses	553	-	553
Capital assets, net of accumulated depreciation	1,877,101	25,399	1,902,500
<b>TOTAL ASSETS</b>	<b>\$ 5,958,504</b>	<b>85,910</b>	<b>6,044,414</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 202,670	774	203,444
Salaries and benefits payable	344,848	853	345,701
Deferred revenue:			
Succeeding year property tax	2,003,431	-	2,003,431
Other	376,489	3,797	380,286
Long-term liabilities:			
Portion due within one year:			
Compensated absences	8,493	-	8,493
Early retirement	16,131	-	16,131
Portion due after one year:			
Early retirement	37,517	-	37,517
Net OPEB liability	2,322	157	2,479
<b>TOTAL LIABILITIES</b>	<b>2,991,901</b>	<b>5,581</b>	<b>2,997,482</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of contributed capital	1,877,101	13,694	1,890,795
Restricted for:			
Categorical funding	59,561	-	59,561
Management levy	139,329	-	139,329
Physical plant and equipment levy	166,883	-	166,883
Other special revenue purposes	132,240	-	132,240
Capital contributions	-	11,705	11,705
Unrestricted	591,489	54,930	646,419
<b>TOTAL NET ASSETS</b>	<b>\$ 2,966,603</b>	<b>80,329</b>	<b>3,046,932</b>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Exhibit B

FUNCTIONS/PROGRAMS: Governmental Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Instructional Activities:					
Regular	\$ 2,601,701	279,163	535,097	-	(1,787,441)
Special	784,166	41,500	175,832	-	(566,834)
Other	455,109	144,129	12,756	-	(298,224)
	3,840,976	464,792	723,685	-	(2,652,499)
Support services					
Student	177,699	34,911	1,438	-	(141,350)
Instructional staff	165,166	-	32,543	-	(132,623)
Administration	535,900	-	-	-	(535,900)
Plant operation and maintenance	340,035	2,880	-	-	(337,155)
Transportation	354,433	1,479	-	-	(352,954)
	1,573,233	39,270	33,981	-	(1,499,982)
Non-instructional programs	12,769	-	-	-	(12,769)
Other expenditures:					
Facilities acquisition	53,926	-	-	-	58,707
AEA Flowthrough	224,868	-	224,868	-	-
Depreciation (unallocated)	74,126	-	-	-	(74,126)
	352,920	-	-	-	(15,419)
Total governmental activities	5,779,898	504,062	982,534	112,633	(4,180,669)
Business type activities:					
Support services:					
Plant operation and maintenance	3,047	-	-	-	(3,047)
Non-instructional programs:					
Food service operations	227,360	144,325	107,010	12,769	36,744
Total business type activities	230,407	144,325	107,010	12,769	33,697
Total	\$ 6,010,305	648,387	1,089,544	125,402	(4,180,669)
GENERAL REVENUES:					
Property tax levied for:					
General purposes					1,930,815
Capital outlay					103,616
Statewide sales, services and use tax					302,353
Income tax surtax					257,194
Unrestricted state grants					1,735,728
Unrestricted investment earnings					27,289
Other					26,381
Total general revenues					4,383,376
Changes in net assets					202,707
Net assets beginning of year					2,763,896
Net assets end of year					80,329
					\$ 2,966,603

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

ASSETS	General	Capital Projects	Nonmajor	Total
Cash and pooled investments	\$ 680,317	520,822	436,715	1,637,854
Receivables:				
Property tax:				
Delinquent	43,937	-	5,641	49,578
Succeeding year	1,838,662	-	164,769	2,003,431
Accounts	1,028	-	-	1,028
Due from other governments	239,400	105,634	43,925	388,959
Prepaid expenses	553	-	-	553
TOTAL ASSETS	<u>\$ 2,803,897</u>	<u>626,456</u>	<u>651,050</u>	<u>4,081,403</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 167,404	32,991	2,275	202,670
Salaries and benefits payable	343,219	-	1,629	344,848
Deferred revenue:				
Succeeding year				
property tax	1,838,662	-	164,769	2,003,431
Other	332,564	-	43,925	376,489
TOTAL LIABILITIES	<u>2,681,849</u>	<u>32,991</u>	<u>212,598</u>	<u>2,927,438</u>
Fund balances:				
Reserved for:				
Categorical funding	59,561	-	-	59,561
Unreserved	62,487	593,465	438,452	1,094,404
Total fund balances	<u>122,048</u>	<u>593,465</u>	<u>438,452</u>	<u>1,153,965</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,803,897</u>	<u>626,456</u>	<u>651,050</u>	<u>4,081,403</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2010

Total fund balances of governmental funds (page 19)	\$ 1,153,965
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	1,779,966
Long-term liabilities, including compensated absences, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(64,463)</u>
Net assets of governmental activities (page 17)	<u>\$ 2,869,468</u>

See notes to financial statemetns.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2010

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,977,201	302,353	314,425	2,593,979
Tuition	293,837	-	-	293,837
Other	82,013	10,875	159,549	252,437
State sources	2,375,408	11,263	202	2,386,873
Federal sources	349,110	101,369	-	450,479
Total revenues	<u>5,077,569</u>	<u>425,860</u>	<u>474,176</u>	<u>5,977,605</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,485,502	6,417	79,461	2,571,380
Special	786,060	-	-	786,060
Other	318,315	-	136,865	455,180
	<u>3,589,877</u>	<u>6,417</u>	<u>216,326</u>	<u>3,812,620</u>
Support services:				
Student	177,620	-	-	177,620
Instructional staff	108,230	8,346	37,389	153,965
Administration	486,420	-	51,121	537,541
Plant operation and maintenance	298,694	10,890	35,867	345,451
Transportation	256,553	9,045	96,078	361,676
	<u>1,327,517</u>	<u>28,281</u>	<u>220,455</u>	<u>1,576,253</u>
Non-instructional programs	-	12,769	-	12,769
Other expenditures:				
Facilities acquisition	-	278,144	-	278,144
AEA flowthrough	224,868	-	-	224,868
	<u>224,868</u>	<u>278,144</u>	<u>-</u>	<u>503,012</u>
Total expenditures	<u>5,142,262</u>	<u>325,611</u>	<u>436,781</u>	<u>5,904,654</u>
Excess (deficiency) of revenues over (under) expenditures	(64,693)	100,249	37,395	72,951
Fund balances beginning of year	186,741	493,216	401,057	1,081,014
Fund balances end of year	<u>\$ 122,048</u>	<u>593,465</u>	<u>438,452</u>	<u>1,153,965</u>

See notes to financial statements.

CENTRAL 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, 2010

Net change in fund balances-total governmental  
 funds (page 21) \$ 72,951

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 Activities and are allocated over their estimated  
 useful lives as depreciation expense in the Statement  
 of Activities. Capital outlay expenditures exceeded  
 depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 324,416	
Depreciation expense	<u>(160,157)</u>	164,259

Some expenses reported in the Statement of  
 Activities do not require the use of current  
 financial resources and, therefore are not  
 reported as expenditures in the governmental  
 funds. Payment of these liabilities is an  
 expenditure in the governmental funds, but  
 the payment reduces long-term liabilities  
 in the Statement of Net Assets. Differences  
 between the Statement of Activities and  
 governmental funds are as follows:

Termination benefits	(35,268)	
Compensated absences	3,087	
Other postemployment benefits	<u>(2,322)</u>	<u>(34,503)</u>

Change in net assets of governmental  
 activities (page 18) \$ 202,707

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2010

	<u>School Nutrition</u>
ASSETS	
Cash	\$ 50,560
Accounts receivable	1,208
Due from other governments	655
Inventories	8,088
Capital assets, net of accumulated depreciation	<u>25,399</u>
TOTAL ASSETS	<u>85,910</u>
LIABILITIES	
Accounts payable	774
Salaries and benefits payable	853
Deferred revenues	3,797
Net OPEB liability	<u>157</u>
TOTAL LIABILITIES	<u>5,581</u>
NET ASSETS	
Invested in capital assets, net of contributed capital	13,694
Contributed capital	11,705
Unrestricted	<u>54,930</u>
TOTAL NET ASSETS	<u>\$ 80,329</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 144,325
Operating expenses:	
Support services:	
Instructional staff	473
Plant operation and maintenance	<u>2,574</u>
	<u>3,047</u>
Non-instructional programs:	
Food service operations:	
Salaries	91,168
Benefits	23,698
Purchased services	5,362
Supplies	104,679
Depreciation	2,420
Miscellaneous	33
	<u>227,360</u>
Total operating expenses	<u>230,407</u>
Operating loss	<u>(86,082)</u>
Non-operating revenues:	
State sources	2,336
Federal sources	104,674
Interest income	363
Total non-operating revenues	<u>107,373</u>
Net income	21,291
Capital contribution	<u>12,769</u>
Increase in net assets	34,060
Net assets beginning of year	<u>46,269</u>
Net assets end of year	<u>\$ 80,329</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sales of lunches and breakfasts	\$ 143,676
Cash paid to employees for services	(113,856)
Cash paid to suppliers for goods and services	<u>(104,367)</u>
Net cash used by operating activities	<u>(74,547)</u>
Cash flows from non-capital financing activities:	
State grants received	2,223
Federal grants received	<u>88,029</u>
Net cash provided by non-capital financing activities	<u>90,252</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,187)</u>
Cash flows from investing activities:	
Interest on investments	<u>363</u>
Net increase in cash	13,881
Cash beginning of year	<u>36,679</u>
Cash end of year	<u><u>\$ 50,560</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (86,082)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	16,103
Depreciation	2,420
(Increase) in accounts receivable	(1,208)
(Increase) in inventories	(8,088)
Increase in accounts payable	739
Increase in salaries and benefits payable	853
Increase in deferred revenue	559
Increase in other post employment benefits	<u>157</u>
Net cash used by operating activities	<u><u>\$ (74,547)</u></u>
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2010, the Capital Projects Fund purchased ovens at a cost of \$ 12,769 for the School Nutrition Fund.	
During the year ended June 30, 2010, the District received \$ 16,103 of federal commodities.	

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2010

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash	\$ 2,000
LIABILITIES	
None	<u>        -</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 2,000</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2010

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources	
Interest income	\$ 40
Deductions:	
Support services:	
Scholarships awarded	40
Change in net assets	-
Net assets beginning of year	<u>2,000</u>
Net assets end of year	<u>\$ 2,000</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2010

(1) **Summary of Significant Accounting Policies**

Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Elkader, Volga City, St. Olaf, Elkport and Garber, Iowa and the predominate agricultural territory of west central Clayton County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Community 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. The 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 Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of the 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 the following 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.

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 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as major nongovernmental funds.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for revenues derived from the statewide sales and services tax which are required by law to be accounted for in a separate fund.

The District reports the following major proprietary fund:

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District reports the following fiduciary fund:

The Private Purpose Trust Fund is used to account for assets held by the District under a trust agreement which requires income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's

Enterprise Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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 non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a

1.5% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Boards of Supervisors in April 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the assets 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment;	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Improvements other than buildings	20
Furniture and equipment	4-15

Salaries and Benefits Payable - Payroll and related expenditures 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 collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, lunch fees collected in advance and unspent federal grants.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by cred-

itors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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.

Investment Rate Risk - At June 30, 2010, the District had \$ 47,000 invested in certificates of deposit with maturities ranging from 2 to 339 days.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Company, N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must

make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2008-09B warrants was 3.0%. The interest rate on the Series 2009-10A warrants was 2.50%.

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B	1/21/09	1/21/10	\$ -	431,000	431,000	-
2009-10A	6/25/09	6/23/10	-	359,000	359,000	-
Total			\$ -	790,000	790,000	-

During the year ended June 30, 2010, the District paid \$ 10,770 of interest on the ISCAP warrants.

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 163,000	0	0	163,000
Capital assets being depreciated:				
Buildings	2,976,535	97,650	0	3,074,185
Improvements other than buildings	0	126,858	0	126,858
Furniture and equipment	1,564,450	99,908	(45,591)	1,618,767
Total capital assets being depreciated	4,540,985	324,416	(45,591)	4,819,810
Less accumulated depreciation for:				
Buildings	1,701,455	74,126	0	1,775,581
Improvements other than buildings	0	1,394	0	1,394
Furniture and equipment	1,289,688	84,637	(45,591)	1,328,734
Total accumulated depreciation	2,991,143	160,157	(45,591)	3,105,709
Total capital assets being depreciated, net	1,549,842	164,259	0	1,714,101
Governmental activities capital assets, net	\$ 1,712,842	164,259	0	1,877,101

Business type activities:				
Furniture and equipment	\$ 74,053	14,956	0	89,009
Less accumulated depreciation	<u>61,190</u>	<u>2,420</u>	<u>0</u>	<u>63,610</u>
Business type activities capital assets, net	\$ <u>12,863</u>	<u>12,536</u>	<u>0</u>	<u>25,399</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 1,270
Other	1,710

Support services:

Instructional staff	17,957
Operation and maintenance of plant	324
Transportation	<u>64,770</u>

86,031

Unallocated 74,126

Total depreciation expense-governmental activities \$ 160,157

Business type activities

Food service operations \$ 2,420

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 18,380	51,786	16,518	53,648	16,131
Compensated absences	11,580	8,493	11,580	8,493	8,493
Net OPEB liability	0	2,322	0	2,322	0
Total	<u>\$ 29,960</u>	<u>62,601</u>	<u>28,098</u>	<u>64,463</u>	<u>24,624</u>
Business type activities:					
Net OPEB liability	\$ 0	157	0	157	0

Termination Benefits

The District offers a voluntary early retirement benefit to employees who have completed twelve (12) years of service and have reached age 55. Classified employees must have been employed at least thirty (30) hours per week for ten (10) months per year. Certified employees must be at least half time to qualify. Employees will receive a cash payment calculated as follows; twenty percent (20%) of unused accumulated sick days multiplied by the employee's per diem wages. Per diem wages are based on contract days.

Supplemental duties and extended contract days are excluded. Classified per diem will be figured only to a maximum of eight hours. Upon retirement, the employee shall be eligible to participate in the school district's health insurance plan. The school district will pay up to \$ 300 per month towards this group insurance. This policy will be in effect until June 30, 2010.

At June 30, 2010 the District has obligations to eight participants with a total liability of \$ 53,648. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$ 76,518.

**(6) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool grant	\$ 23,384
Teacher salary supplement	22,578
Model core curriculum	12,034
Educator quality, professional development	1,009
Teacher mentoring induction	<u>556</u>
Total	<u>\$ 59,561</u>

**(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 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 50603-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$ 212,500, \$ 202,815, \$ 185,537, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 63 active and 21 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay all of premiums in excess of their explicit benefit of \$ 300 per month, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 101,813
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	101,813
Contributions made	<u>99,334</u>
Increase in net OPEB obligation	2,479
Net OPEB obligation beginning of year	<u>0</u>
Net OPEB obligation end of year	<u><u>\$ 2,479</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$ 99,334 to the medical plan. Plan members eligible for benefits contributed \$ 123,505, or 55% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 101,813	97.6%	\$ 2,479

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$ 1.053 million, with no actuarial accrued value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 1.053 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$ 2.715 million and the ratio of the UAAL to covered payroll was 38.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mor-

tality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual and ultimate medical trend rates are 6%.

Mortality rates are from the 95 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$ 837 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on a closed group basis over 30 years.

#### (9) Risk Management

Central Community School District is exposed to various risks of loss related to torts; thefts; 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 exceeded commercial insurance coverage by nearly \$ 90,000 in 2008

due to historic flooding of the Turkey River. The District has or will receive public assistance grants to defray 100% of the estimated cost to repair the playground and athletic facilities. In addition, the Federal Emergency Management Agency (FEMA) has approved a hazard mitigation grant to relocate the District's softball complex. Total cost incurred for the relocation project were \$ 126,858. Federal and state reimbursements have totaled \$ 112,632.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 224,868 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Related Party Transactions**

The District had business transactions totaling \$ 14,520 between the District and District employees and officials during the year ended June 30, 2010.

**(12) Construction Commitment**

The District has entered into a contract totaling \$ 169,495 for a building maintenance project. As of June 30, 2010, costs of \$ 33,976 have been incurred against the contract. The balance of \$ 135,519 remaining at June 30, 2010 will be paid as work on the project progress.

**(13) Subsequent Events**

The District entered into a contract with a local nonprofit organization to provide pre-kindergarten services for the 2010-11 school year. Payments to the Organization are estimated to be \$ 18,652 based on an estimated enrollment of 33.

The District entered into a contract to remodel the auditorium at a cost of \$ 65,144.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGET COMPARISON SCHEDULE OF  
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES-  
 BUDGET AND ACTUAL--ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2010

	Governmental	Proprietary	Total	Budgeted	Budgeted
	Funds Actual	Fund Actual	Actual	Amounts	To Actual Variance
<b>Revenues:</b>					
Local sources	\$ 3,140,253	157,457	3,297,710	3,259,901	37,809
State sources	2,386,873	2,336	2,389,209	2,994,591	(605,382)
Federal sources	450,479	104,674	555,153	340,000	215,153
<b>Total revenues</b>	<b>5,977,605</b>	<b>264,467</b>	<b>6,242,072</b>	<b>6,594,492</b>	<b>(352,420)</b>
<b>Expenditures/Expenses:</b>					
Instruction	3,812,620	-	3,812,620	3,904,363	91,743
Support services	1,576,253	3,047	1,579,300	1,693,000	113,700
Non-instructional programs	12,769	227,360	240,129	354,647	114,518
Other expenditures	503,012	-	503,012	744,680	241,668
<b>Total expenditures/expenses</b>	<b>5,904,654</b>	<b>230,407</b>	<b>6,135,061</b>	<b>6,696,690</b>	<b>561,629</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	72,951	34,060	107,011	(102,198)	209,209
Balances beginning of year	1,081,014	461,269	1,527,283	1,299,191	(171,908)
Balances end of year	\$ 1,153,965	80,329	1,234,294	1,196,993	37,301

See accompanying independent auditor's report and notes to required  
 supplementary information--budgetary reporting.

Central Community School District

Notes to Required Supplementary Information-Budgetary Reporting

Year Ended June 30, 2010

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 the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (In Thousands)  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ -	\$ 1,053	1,053	0.0%	\$ 2,715	38.8%

See accompanying independent auditor's report and Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
ASSETS				
Cash	\$ 135,867	135,303	165,545	436,715
Receivables:				
Property tax:				
Delinquent	3,462	-	2,179	5,641
Succeeding year	70,000	-	94,769	164,769
Due from other governments	-	-	43,925	43,925
<b>TOTAL ASSETS</b>	<b>\$ 209,329</b>	<b>135,303</b>	<b>306,418</b>	<b>651,050</b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	1,434	841	2,275
Salaries and benefits payable	-	1,629	-	1,629
Deferred revenue:				
Succeeding year property tax	70,000	-	94,769	164,769
Other	-	-	43,925	43,925
Total liabilities	70,000	3,063	139,535	212,598
Unreserved fund balances	139,329	132,240	166,883	438,452
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 209,329</b>	<b>135,303</b>	<b>306,418</b>	<b>651,050</b>

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 159,370	-	155,055	314,425
Other	9,608	148,167	1,774	159,549
State sources	124	-	78	202
Total revenues	169,102	148,167	156,907	474,176
Expenditures:				
Current:				
Instruction:				
Regular	79,270	191	-	79,461
Other	-	136,865	-	136,865
Support services:				
Instructional staff	-	-	37,389	37,389
Administration	29,905	-	21,216	51,121
Plant operation and maintenance	35,657	-	210	35,867
Transportation	9,897	17,694	68,487	96,078
Total expenditures	154,729	154,750	127,302	436,781
Excess (deficiency) of revenues over (under) expenditures	14,373	(6,583)	29,605	37,395
Fund balances beginning of year	124,956	138,823	137,278	401,057
Fund balances end of year	\$ 139,329	132,240	166,883	438,452

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Operations	\$ 88,451	2,074	13,753	76,772
Reading is Fundamental	4,209	1,560	1,655	4,114
Elementary Fundraisers	5,983	6,356	9,064	3,275
Central Volunteer Organizations	-	389	32	357
Elementary Art	-	625	517	108
Elementary Activities	151	-	-	151
Entrepreneurs	84	-	-	84
Drama	2,175	3,822	2,460	3,537
Speech	-	484	484	-
Music Department Dry Cleaning	738	1,313	1,678	373
Vocal Music	-	183	139	44
Instrumental Music	352	-	56	296
Intramural Athletics	-	3,359	3,359	-
Co-ed Athletics	-	3,826	1,106	2,720
Track	-	8,857	8,857	-
Cross Country	-	1,131	1,131	-
Golf	-	2,490	2,490	-
Boys Basketball	-	3,377	3,326	51
Football	-	11,276	11,104	172
Baseball	-	2,902	2,902	-
Wrestling	-	1,931	1,249	682
Girls Basketball	-	3,995	3,995	-
Volleyball	-	4,249	4,249	-
Softball	-	4,323	4,323	-
Football Club	553	-	553	-
Softball Club	367	-	367	-
Basketball Club	437	736	1,173	-
Baseball Club	1,032	20	1,052	-
FFA	332	8,636	6,072	2,896
Food and Fitness Club	882	5,694	3,092	3,484
Mentors	280	-	-	280
Wrestling Club	212	-	212	-
KRA	24	-	-	24
National Honor Society	246	-	45	201
Media	3,285	2,327	311	5,301
Yearbook	7,524	8,844	6,954	9,414
Athletic Boosters	7,683	18,100	21,252	4,531
Student Council	343	406	463	286

(continued)

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Letterwinners	54	-	54	-
Spanish Club	602	8,700	5,933	3,369
Drama Club	468	-	468	-
Volleyball Club	2,014	161	2,175	-
Cheerleaders	2,037	941	1,448	1,530
Class of 2011	2,596	8,056	8,065	2,587
Class of 2010	2,479	1,189	2,276	1,392
Class of 2009	1,666	-	1,666	-
Class of 2013	-	4,083	2,489	1,594
Class of 2012	1,564	1,831	780	2,615
Milk/Juice Sales	-	5,232	5,232	-
Soft Drink/Juice Sales	-	4,689	4,689	-
<b>Total</b>	<b>\$ 138,823</b>	<b>148,167</b>	<b>154,750</b>	<b>132,240</b>

See accompanying independent auditor's report.

Schedule 4

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Seven Years

	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
<b>Local sources:</b>							
Local tax	\$ 2,593,979	2,385,369	2,375,929	2,297,859	2,105,807	2,237,329	2,045,458
Tuition	293,837	216,235	241,471	241,353	221,079	185,009	188,036
Other	252,437	308,971	300,362	245,550	191,932	175,084	228,800
Intermediate sources	-	-	-	-	1,330	1,509	-
State sources	2,386,873	3,024,805	2,804,434	2,534,176	2,504,532	2,495,563	2,298,034
Federal sources	450,479	355,728	173,505	211,282	171,406	196,002	155,688
<b>Total</b>	<b>\$ 5,977,605</b>	<b>6,291,108</b>	<b>5,895,701</b>	<b>5,530,220</b>	<b>5,196,086</b>	<b>5,290,496</b>	<b>4,916,016</b>
<b>Expenditures:</b>							
<b>Instruction:</b>							
Regular	\$ 2,571,380	2,593,177	2,488,222	2,350,560	2,261,741	2,212,440	2,171,150
Special	786,060	760,669	752,180	572,937	572,937	484,282	625,832
Other	455,180	468,939	487,127	461,004	429,072	518,944	496,360
<b>Support services:</b>							
Student	177,620	136,138	147,063	137,099	132,861	126,412	131,133
Instructional staff	153,965	161,727	129,900	128,973	160,749	156,287	176,439
Administration	537,541	573,173	605,717	595,943	505,812	479,063	493,333
Plant operation and maintenance	345,451	350,744	375,500	382,394	379,627	366,882	353,982
Transportation	361,676	324,587	379,095	309,339	298,568	253,009	263,890
Non-instructional programs	12,769	-	190	-	-	-	-
<b>Other expenditures:</b>							
Facilities acquisition	278,144	481,134	268,209	373,258	131,181	216,419	188,047
Long-term debt:							
Principal	-	64,419	49,323	36,762	-	-	-
Interest and other charges	-	1,142	3,733	4,657	-	-	-
AEA flowthrough	224,868	210,145	198,370	186,279	180,395	180,137	181,770
<b>Total</b>	<b>\$ 5,904,654</b>	<b>6,125,994</b>	<b>5,884,629</b>	<b>5,620,371</b>	<b>5,052,943</b>	<b>4,993,875</b>	<b>5,081,936</b>

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 10,412
National School Lunch Program	10.555	FY10	94,261*
			<u>104,673</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	53,997
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	18,201
			<u>72,198</u>
Special Education-			
Preschool Grants	84.173	FY10	1,041**
Safe and Drug-Free Schools and Communities- State Grants	84.186	FY10	1,438
State Grants for Innovative Programs	84.298	FY10	3,289
Rural Education Achievement Program	84.358A	FY10	30,153
Improving Teacher Quality State Grants	84.367	FY10	27,797
ARA-State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY10	105,664
Keystone Area Education Agency:			
Special Education-Grants to States	84.027	FY10	26,804**
Career and Technical Education- Basic Grants to States	84.048	FY10	8,984
Comprehensive Centers (Tech- Prep Education)	84.243	FY10	1,000
Education Technology State Grants	84.318	FY10	1,977
State Program Improvement Grants for Children with Disabilities	84.323	FY10	600

(continued)

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expenditures
ARRA Special Education Grants to States, Recovery Act	FY10	84.391	<u>43,430**</u>
U.S. Department of Homeland Security: Iowa Department of Public Defense: Disaster Grants Public Assistance (Presidentially Declared Disasters)	FEMA -IA-DR-1763	97.036	<u>101,369</u>
Total			<u>\$ 530,417</u>

\* - Includes \$ 16,103 of non-cash awards.

\*\* - Total for Special Education Cluster (IDEA) is \$ 71,275.

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

See accompanying independent auditor's report.

# Dietz, Donald & Company

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

To the Board of Education of the  
Central Community 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 the Central Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Central Community 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 our opinion on the effectiveness of Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

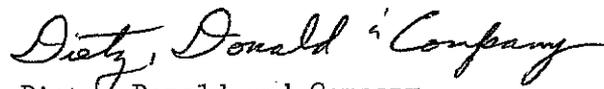
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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 Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Central 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 Community School District and other parties to whom Central Community School District may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central 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.

Elkader, Iowa  
November 12, 2010



Dietz, Donald and Company  
Certified Public Accountants  
FEIN 42-1172392

# Dietz, Donald & Company

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of the  
Central Community School District

Compliance

We have audited Central Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Central Community School District's major federal programs for the year ended June 30, 2010. Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central Community School District's management. Our responsibility is to express an opinion on Central Community School District based on our audit.

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

In our opinion, Central Community School District complied, in all material

respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of Central Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Community School District and other parties to whom Central Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa  
November 12, 2010

*Dietz, Donald & Company*  
Dietz, Donald and Company  
Certified Public Accountants  
FEIN 42-1172392

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit of the financial statements disclosed no material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit of the financial statements disclosed no material weaknesses in internal control over the major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
  - CFDA Number 84-394-ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act
  - CFDA Number 97.036-Disaster Grants Public Assistance (Presidentially Declared Disasters)
  - Clustered programs:
    - CFDA Number 10.553-School Breakfast Program
    - CFDA Number 10.555-National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (i) Central Community School District did not qualify as a low-risk auditee.

CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

No material weaknesses were identified.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

No material weaknesses were identified.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- IV-B-10 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney's General opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2010

Name, Title and Business Connection	Transaction Description	Amount
Jody Sylvester, bus driver, owner of C.J. Lanes	P.E. Bowling	\$ 735
Raymond Piorkowski, spouse of business manager, employee of Elkader Carpet and Design	Coverbase, carpet	8,106
Kristin Fitzgerald, board vice president	Accompanist	430
Ron Engelhardt, spouse of cook, owner of R&R Dairy	Food	5,250
Total		<u>\$ 14,521</u>

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- IV-E-10 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 ensure the coverage is adequate for current operations.
- IV-F-10 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - No instances of noncompliance 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.

CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2010

- IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$ 326,121
Statewide sales, services and use tax	302,353
Expenditures:	
School infrastructure:	
Buildings	<u>(35,009)</u>
Ending balance	<u>\$ 593,465</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levy:

	Per \$ 1000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 2.06815	\$ 302,353