

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
CENTRAL CITY, IOWA

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

JUNE 30, 2010

## TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A    Statement of Net Assets	8-9
B    Statement of Activities	10-13
Governmental Fund Financial Statements:	
C    Balance Sheet	14
D    Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	15
E    Statement of Revenues, Expenditures and Changes in Fund Balances	16-17
F    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Proprietary Fund Financial Statements:	
G    Statement of Net Assets	19
H    Statement of Revenues, Expenses and Changes in Net Assets	20
I    Statement of Cash Flows	22-23
Fiduciary Fund Financial Statements:	
J    Statement of Fiduciary Net Assets	24
K    Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	26-44
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	46
Notes to Required Supplementary Information – Budgetary Reporting	47
Schedule of Funding Progress for the Retiree Health Plan	48
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1    Combining Balance Sheet	50
2    Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	51
3    Schedule of Changes in Special Revenue Fund, Student Activity Accounts	52-53
4    Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	54-55
5    Schedule of Expenditures of Federal Awards	56-57
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	58-59

TABLE OF CONTENTS  
(continued)

	Page
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	60-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	62-67

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2009 Election)		
David Goodlove	President	2009
Crystal Murphy	Vice President	2011
Neal Matthias	Board Member	2009
Shelly Kellogg	Board Member	2009
Leanna Palmer	Board Member	2011
<u>Board of Education</u>		
(After September 2009 Election)		
Neal Matthias	President	2013
Crystal Murphy	Vice President	2011
Leanna Palmer	Board Member	2011
Shelly Kellogg	Board Member	2013
John Betzer	Board Member	2013
<u>School Officials</u>		
Karl Kurt	Superintendent	2011
Karla Hogan	District Secretary/Treasurer	2010
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District, Iowa, as of and for the year ended June 30, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District at June 30, 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 March 9, 2011 on our consideration of Central City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five 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 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 is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 as a whole.

Oskaloosa, Iowa  
March 9, 2011

## Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,519,002	\$ 50,765	\$ 1,569,767
Receivables:			
Property tax:			
Current year	16,356	-	16,356
Succeeding year	1,714,725	-	1,714,725
Accounts	5,062	4,177	9,239
Due from other governments	349,955	745	350,700
Interfund balances (note 4)	42,325	(42,325)	-
Inventories	-	7,389	7,389
Capital assets, net of accumulated depreciation (note 5)	6,359,303	798,205	7,157,508
	<hr/>	<hr/>	<hr/>
Total assets	10,006,728	818,956	10,825,684
<b>Liabilities</b>			
Accounts payable	87,259	2,970	90,229
Salaries and benefits payable	435,107	34,428	469,535
Accrued interest payable	29,399	-	29,399
Deferred revenue:			
Succeeding year property tax	1,714,725	-	1,714,725
Other	33,590	-	33,590
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	10,000	-	10,000
Bonds payable	165,000	-	165,000
Capital lease purchase agreements	136,770	10,341	147,111
Portion due after one year:			
Bonds payable	3,855,000	-	3,855,000
Capital lease purchase agreements	68,386	734,068	802,454
Net OPEB liability	8,000	-	8,000
	<hr/>	<hr/>	<hr/>
Total liabilities	6,543,236	781,807	7,325,043

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,339,303	\$ 53,796	\$ 2,393,099
Restricted for:			
Categorical funding (note 11)	116,548	-	116,548
Management levy	42,512	-	42,512
Physical plant and equipment levy	95,093	-	95,093
Other special revenue purposes	126,520	-	126,520
Capital projects	209,089	-	209,089
Unrestricted	<u>534,427</u>	<u>(16,647)</u>	<u>517,780</u>
Total net assets	<u>\$ 3,463,492</u>	<u>\$ 37,149</u>	<u>\$ 3,500,641</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Instruction	\$ 3,160,483	\$ 519,506	\$ 515,375
Support services:			
Student services	75,411	2,929	6,945
Instructional staff services	267,525	-	-
Administration services	417,085	-	1,500
Operation and maintenance of plant services	436,062	4,982	-
Transportation services	164,464	-	5,256
	<u>1,360,547</u>	<u>7,911</u>	<u>13,701</u>
Other expenditures:			
Facilities acquisition	47,360	-	-
Long-term debt interest and fiscal charges	182,680	-	-
AEA flowthrough	181,727	-	181,727
Depreciation (unallocated) *	87,148	-	-
	<u>498,915</u>	<u>-</u>	<u>181,727</u>
Total governmental activities	<u>5,019,945</u>	<u>527,417</u>	<u>710,803</u>
<b>Business-Type Activities:</b>			
Support services:			
Administration services	36,888	-	-
Operation and maintenance of plant services	14,043	-	-
	<u>50,931</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	204,655	115,541	86,455
Daycare operations	274,985	259,785	41,272
	<u>479,640</u>	<u>375,326</u>	<u>127,727</u>
Total business-type activities	<u>530,571</u>	<u>375,326</u>	<u>127,727</u>
Total	<u>\$ 5,550,516</u>	<u>\$ 902,743</u>	<u>\$ 838,530</u>

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,125,602)	\$ -	\$ (2,125,602)
(65,537)	-	(65,537)
(267,525)	-	(267,525)
(415,585)	-	(415,585)
(436,062)	-	(436,062)
(159,208)	-	(159,208)
(1,343,917)	-	(1,343,917)
(47,360)	-	(47,360)
(182,680)	-	(182,680)
-	-	-
(87,148)	-	(87,148)
(317,188)	-	(317,188)
(3,781,725)	-	(3,781,725)
-	(36,888)	(36,888)
-	(14,043)	(14,043)
-	(50,931)	(50,931)
-	(2,659)	(2,659)
-	26,072	26,072
-	23,413	23,413
-	(27,518)	(27,518)
(3,781,725)	(27,518)	(3,809,243)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs

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General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Statewide sales and services tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ 1,185,794	\$ -	\$ 1,185,794
237,807	-	237,807
98,662	-	98,662
482,089	-	482,089
2,046,109	-	2,046,109
27,999	166	28,165
105,191	-	105,191
<hr/>		
4,183,651	166	4,183,817
<hr/>		
401,926	(27,352)	374,574
<hr/>		
3,061,566	64,501	3,126,067
<hr/>		
<u>\$ 3,463,492</u>	<u>\$ 37,149</u>	<u>\$ 3,500,641</u>

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 890,305	\$ -	\$ 335,969	\$ 292,728	\$ 1,519,002
Receivables:					
Property tax:					
Current year	11,760	2,608	-	1,988	16,356
Succeeding year	1,289,507	231,194	-	194,024	1,714,725
Interfund receivable (note 4)	42,445	-	-	-	42,445
Accounts	5,062	-	-	-	5,062
Due from other governments	271,679	-	78,276	-	349,955
<b>Total assets</b>	<b>\$ 2,510,758</b>	<b>\$ 233,802</b>	<b>\$ 414,245</b>	<b>\$ 488,740</b>	<b>\$ 3,647,545</b>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 66,668	\$ -	\$ -	\$ 20,591	\$ 87,259
Salaries and benefits payable	435,107	-	-	-	435,107
Interfund payable (note 4)	-	120	-	-	120
Deferred revenue:					
Succeeding year property tax	1,289,507	231,194	-	194,024	1,714,725
Other	33,590	-	-	-	33,590
<b>Total liabilities</b>	<b>1,824,872</b>	<b>231,314</b>	<b>-</b>	<b>214,615</b>	<b>2,270,801</b>
Fund balances:					
Reserved for:					
Categorical funding (note 11)	116,548	-	-	-	116,548
Debt service	-	2,488	-	-	2,488
Unreserved, reported in:					
General fund	569,338	-	-	-	569,338
Special revenue funds	-	-	-	274,125	274,125
Capital projects fund	-	-	414,245	-	414,245
<b>Total fund balances</b>	<b>685,886</b>	<b>2,488</b>	<b>414,245</b>	<b>274,125</b>	<b>1,376,744</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,510,758</b>	<b>\$ 233,802</b>	<b>\$ 414,245</b>	<b>\$ 488,740</b>	<b>\$ 3,647,545</b>

See notes to financial statements.

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

Total fund balances of governmental funds	\$	1,376,744
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.		6,359,303
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(29,399)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,243,156)</u>
Net assets of governmental activities	\$	<u><u>3,463,492</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

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

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,101,025	\$ 237,807	\$ 482,089	\$ 183,431	\$ 2,004,352
Tuition	256,005	-	-	-	256,005
Other	172,298	302	2,868	221,503	396,971
State sources	2,348,444	-	-	-	2,348,444
Federal sources	408,468	-	-	-	408,468
Total revenues	<u>4,286,240</u>	<u>238,109</u>	<u>484,957</u>	<u>404,934</u>	<u>5,414,240</u>
Expenditures:					
Current:					
Instruction	3,002,112	-	-	221,540	3,223,652
Support services:					
Student services	75,411	-	-	-	75,411
Instructional staff services	267,525	-	-	-	267,525
Administration services	391,814	400	-	23,459	415,673
Operation and maintenance of plant services	387,183	-	-	67,673	454,856
Transportation services	162,699	-	-	4,523	167,222
	<u>1,284,632</u>	<u>400</u>	<u>-</u>	<u>95,655</u>	<u>1,380,687</u>
Other expenditures:					
Facilities acquisition	-	-	97,652	85,795	183,447
Long term debt:					
Principal	-	291,770	-	-	291,770
Interest and fiscal charges	-	183,857	-	-	183,857
AEA flowthrough	181,727	-	-	-	181,727
	<u>181,727</u>	<u>475,627</u>	<u>97,652</u>	<u>85,795</u>	<u>840,801</u>
Total expenditures	<u>4,468,471</u>	<u>476,027</u>	<u>97,652</u>	<u>402,990</u>	<u>5,445,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(182,231)</u>	<u>(237,918)</u>	<u>387,305</u>	<u>1,944</u>	<u>(30,900)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 7,631	\$ -	\$ -	\$ -	\$ 7,631
Interfund transfers in (note 3)	-	236,970	-	-	236,970
Interfund transfers out (note 3)	-	-	(236,970)	-	(236,970)
Total other financing sources (uses)	<u>7,631</u>	<u>236,970</u>	<u>(236,970)</u>	<u>-</u>	<u>7,631</u>
Net change in fund balances	(174,600)	(948)	150,335	1,944	(23,269)
Fund balances beginning of year	<u>860,486</u>	<u>3,436</u>	<u>263,910</u>	<u>272,181</u>	<u>1,400,013</u>
Fund balances end of year	<u>\$ 685,886</u>	<u>\$ 2,488</u>	<u>\$ 414,245</u>	<u>\$ 274,125</u>	<u>\$ 1,376,744</u>

See notes to financial statements.

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (23,269)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 241,544	
Depreciation expense	<u>(111,296)</u>	130,248

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 291,770

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,177

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, as follows:

Early retirement	10,000	
Net OPEB liability	<u>(8,000)</u>	<u>2,000</u>

Change in net assets of governmental activities \$ 401,926

See notes to financial statements.

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2010

	ABC Childcare	Nonmajor- School Nutrition	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,543	\$ 25,708	\$ 34,251
Cash with fiscal agent	16,514	-	16,514
Accounts receivable	4,177	-	4,177
Due from other governments	745	-	745
Inventories	-	7,389	7,389
Capital assets, net of accumulated depreciation (note 5)	679,237	118,968	798,205
<b>Total assets</b>	<u>709,216</u>	<u>152,065</u>	<u>861,281</u>
<b>Liabilities</b>			
Accounts payable	2,970	-	2,970
Salaries and benefits payable	22,966	11,462	34,428
Interfund payable (note 4)	42,325	-	42,325
Long-term liabilities (note 6):			
Portion due within one year:			
Capital lease purchase agreement	10,341	-	10,341
Portion due after one year:			
Capital lease purchase agreement	734,068	-	734,068
<b>Total liabilities</b>	<u>812,670</u>	<u>11,462</u>	<u>824,132</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(65,172)	118,968	53,796
Unrestricted	(38,282)	21,635	(16,647)
<b>Total net assets</b>	<u>\$ (103,454)</u>	<u>\$ 140,603</u>	<u>\$ 37,149</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	<u>ABC Childcare</u>	<u>Nonmajor- School Nutrition</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 259,785	\$ 115,541	\$ 375,326
Operating expenses:			
Support services:			
Administration services	36,388	500	36,888
Operation and maintenance of plant services	14,043	-	14,043
Non-instructional programs	274,985	204,655	479,640
	<u>325,416</u>	<u>205,155</u>	<u>530,571</u>
Operating loss	(65,631)	(89,614)	(155,245)
Non-operating revenues:			
Interest on investments	112	54	166
Contributions	650	-	650
State sources	-	3,118	3,118
Federal sources	40,622	83,337	123,959
Total non-operating revenues	<u>41,384</u>	<u>86,509</u>	<u>127,893</u>
Change in net assets	(24,247)	(3,105)	(27,352)
Net assets beginning of year	<u>(79,207)</u>	143,708	64,501
Net assets end of year	<u>\$ (103,454)</u>	<u>\$ 140,603</u>	<u>\$ 37,149</u>

See notes to financial statements.

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CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	ABC Childcare	Nonmajor- School Nutrition	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	\$ 112,063	\$ 112,063
Cash received from miscellaneous operating activities	270,699	3,478	274,177
Cash payments to employees for services	(220,895)	(71,157)	(292,052)
Cash payments to suppliers for goods or services	(79,065)	(106,172)	(185,237)
Net cash used by operating activities	<u>(29,261)</u>	<u>(61,788)</u>	<u>(91,049)</u>
Cash flows from non-capital financing activities:			
Contributions received	650	-	650
State grants received	-	3,118	3,118
Federal grants received	41,067	68,301	109,368
Net cash provided by non-capital financing activities	<u>41,717</u>	<u>71,419</u>	<u>113,136</u>
Cash flows from capital and related financing activities:			
Principal paid on capital lease	<u>(9,907)</u>	-	<u>(9,907)</u>
Cash flows from investing activities:			
Interest on investments	<u>112</u>	<u>54</u>	<u>166</u>
Net increase in cash and cash equivalents	2,661	9,685	12,346
Cash and cash equivalents beginning of year	<u>22,396</u>	<u>16,023</u>	<u>38,419</u>
Cash and cash equivalents end of year	<u>\$ 25,057</u>	<u>\$ 25,708</u>	<u>\$ 50,765</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2010

	<u>ABC Childcare</u>	<u>Nonmajor- School Nutrition</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (65,631)	\$ (89,614)	\$ (155,245)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	15,796	14,854	30,650
Commodities used	-	15,036	15,036
Decrease in accounts receivable	12,844	-	12,844
(Increase) in inventories	-	(2,512)	(2,512)
Increase in accounts payable	2,361	-	2,361
Increase (decrease) in salaries and benefits payable	(10,014)	448	(9,566)
Increase in interfund payable	17,313	-	17,313
(Decrease) in deferred revenue	(1,930)	-	(1,930)
Net cash used by operating activities	<u>\$ (29,261)</u>	<u>\$ (61,788)</u>	<u>\$ (91,049)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$15,036 of federal commodities.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2010

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>65,693</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>65,693</u></u>

See notes to financial statements.

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

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>1,710</u>
Deductions:	
None	<u>-</u>
Change in net assets	1,710
Net assets beginning of year	<u>63,983</u>
Net assets end of year	\$ <u><u>65,693</u></u>

See notes to financial statements.

# CENTRAL CITY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

### Note 1. Summary of Significant Accounting Policies

Central City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Central City, Iowa, portions of the Cities of Prairieburg, Waubeek, and Paris, Iowa and agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity

For financial reporting purposes, Central City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Central City Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

#### B. Basis of Presentation

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

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 Board of Supervisors in April 2009.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	25,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2010.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2010 consists of \$589,762.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Note 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 2. Cash and Pooled Investments (continued)

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>268</u>

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>236,970</u>

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

Note 4. Interfund Receivables and Payables

At June 30, 2010, the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Temporary loan:		
General	Debt Service	\$ <u>120</u>
Other receivables:		
General	Enterprise - ABC Childcare	<u>42,325</u>
Total		\$ <u>42,445</u>

Temporary loan interfund balances are temporary financing between funds which is necessary due to the timing of expected tax collections. These balances are not included on the District-wide Statement of Net Assets.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 4. Interfund Receivables and Payables (continued)

Other receivable interfund balances are due to timing differences involved in the reimbursement of payroll to the General Fund. The balance between governmental and proprietary funds has been eliminated on the face of the District-wide Statement of Net Assets.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 396,830	\$ -	\$ -	\$ 396,830
Construction in progress	2,004,002	-	2,004,002	-
Total capital assets not being depreciated	2,400,832	-	2,004,002	396,830
Capital assets being depreciated:				
Buildings	4,946,004	2,119,134	-	7,065,138
Improvements other than buildings	-	17,889	-	17,889
Furniture and equipment	740,699	108,523	55,078	794,144
Total capital assets being depreciated	5,686,703	2,245,546	55,078	7,877,171
Less accumulated depreciation for:				
Buildings	1,195,279	89,851	-	1,285,130
Furniture and equipment	663,201	21,445	55,078	629,568
Total accumulated depreciation	1,858,480	111,296	55,078	1,914,698
Total capital assets being depreciated, net	3,828,223	2,134,250	-	5,962,473
Governmental activities capital assets, net	\$ 6,229,055	\$ 2,134,250	\$ 2,004,002	\$ 6,359,303

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Buildings	\$ 789,809	\$ -	\$ -	\$ 789,809
Furniture and equipment	184,347	-	-	184,347
Total capital assets being depreciated	974,156	-	-	974,156
Less accumulated depreciation for:				
Buildings	94,776	15,796	-	110,572
Furniture and equipment	50,525	14,854	-	65,379
Total accumulated depreciation	145,301	30,650	-	175,951
Business-type activities capital assets, net	\$ 828,855	\$ (30,650)	\$ -	\$ 798,205

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

Governmental activities:	
Instruction	\$ 6,215
Support services:	
Administration	1,412
Operation and maintenance of plant services	800
Transportation	15,721
	24,148
Unallocated depreciation	87,148
Total governmental activities depreciation expense	\$ 111,296
Business-type activities:	
Food service operations	\$ 14,854
Daycare operations	15,796
	30,650
Total business-type activities depreciation expense	\$ 30,650

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Capital Lease Purchase Agreement</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 20,000	\$ 4,175,000	\$ 341,926	\$ -	\$ 4,536,926
Additions	10,000	-	-	8,000	18,000
Reductions	<u>20,000</u>	<u>155,000</u>	<u>136,770</u>	<u>-</u>	<u>311,770</u>
Balance end of year	<u>\$ 10,000</u>	<u>\$ 4,020,000</u>	<u>\$ 205,156</u>	<u>\$ 8,000</u>	<u>\$ 4,243,156</u>
Due within one year	<u>\$ 10,000</u>	<u>\$ 165,000</u>	<u>\$ 136,770</u>	<u>\$ -</u>	<u>\$ 311,770</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous full time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$10,000 times current FTE status. Early retirement benefits will be paid in August of the current year of retirement.

At June 30, 2010, the District has obligations to one participant with a total liability of \$10,000. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$20,000. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
2011	4.500 %	\$ 125,000	\$ 107,356	\$ 232,356
2012	4.500	130,000	101,732	231,732
2013	4.500	135,000	95,881	230,881
2014	3.750	140,000	89,806	229,806
2015	3.875	145,000	84,556	229,556
2016	3.950	150,000	78,938	228,938
2017	4.050	160,000	73,012	233,012
2018	4.150	165,000	66,532	231,532
2019	4.200	170,000	59,686	229,686
2020	4.250	180,000	52,546	232,546
2021	4.300	185,000	44,895	229,895
2022	4.400	195,000	36,940	231,940
2023	4.450	200,000	28,360	228,360
2024	4.500	210,000	19,460	229,460
2025	4.550	220,000	10,010	230,010
		<u>\$ 2,510,000</u>	<u>\$ 949,710</u>	<u>\$ 3,459,710</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue dated November 1, 2007			
	Interest Rates	Principal	Interest	Total
2011	4.750 %	\$ 40,000	\$ 69,038	\$ 109,038
2012	4.750	40,000	67,138	107,138
2013	4.750	45,000	65,238	110,238
2014	4.750	45,000	63,100	108,100
2015	4.750	50,000	60,962	110,962
2016	4.750	55,000	58,588	113,588
2017	4.750	55,000	55,976	110,976
2018	4.750	55,000	53,362	108,362
2019	4.200	60,000	50,750	110,750
2020	4.250	60,000	48,230	108,230
2021	4.300	65,000	45,680	110,680
2022	4.350	70,000	42,886	112,886
2023	4.400	75,000	39,840	114,840
2024	4.450	75,000	36,540	111,540
2025	4.500	80,000	33,202	113,202
2026	4.600	315,000	29,602	344,602
2027	4.650	325,000	15,112	340,112
		<u>\$ 1,510,000</u>	<u>\$ 835,244</u>	<u>\$ 2,345,244</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2011	\$ 165,000	\$ 176,394	\$ 341,394
2012	170,000	168,870	338,870
2013	180,000	161,119	341,119
2014	185,000	152,906	337,906
2015	195,000	145,518	340,518
2016	205,000	137,526	342,526
2017	215,000	128,988	343,988
2018	220,000	119,894	339,894
2019	230,000	110,436	340,436
2020	240,000	100,776	340,776
2021	250,000	90,575	340,575
2022	265,000	79,826	344,826
2023	275,000	68,200	343,200
2024	285,000	56,000	341,000
2025	300,000	43,212	343,212
2026	315,000	29,602	344,602
2027	325,000	15,112	340,112
	<u>\$ 4,020,000</u>	<u>\$ 1,784,954</u>	<u>\$ 5,804,954</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

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

Details of the District's June 30, 2010 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2011	\$ 136,770
2012	<u>68,386</u>
	<u>\$ 205,156</u>

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2010 is as follows:

	<u>Capital Lease Purchase Agreement</u>
Balance beginning of year	\$ 754,316
Additions	-
Reductions	<u>9,907</u>
Balance end of year	<u>\$ 744,409</u>
Due within one year	<u>\$ 10,341</u>

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2010 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 10,341	\$ 32,619	\$ 42,960
2012	10,720	32,240	42,960
2013	11,291	31,669	42,960
2014	11,799	31,161	42,960
2015	12,329	30,631	42,960
2016	12,800	30,160	42,960
2017	13,459	29,501	42,960
2018	14,064	28,896	42,960
2019	14,697	28,263	42,960
2020	15,281	27,679	42,960
2021	16,045	26,915	42,960
2022	16,767	26,193	42,960
2023	17,521	25,439	42,960
2024	18,240	24,720	42,960
2025	19,129	23,831	42,960
2026	19,989	22,971	42,960
2027	20,889	22,071	42,960
2028	21,770	21,190	42,960
2029	22,807	20,153	42,960
2030	23,834	19,126	42,960
2031	24,906	18,054	42,960
2032	25,979	16,981	42,960
2033	27,195	15,765	42,960
2034	28,419	14,541	42,960
2035	29,697	13,263	42,960
2036	31,001	11,959	42,960
2037	32,428	10,532	42,960
2038	33,888	9,072	42,960
2039	35,412	7,548	42,960
2040	36,990	5,970	42,960
2041	38,670	4,290	42,960
2042	40,411	2,549	42,960
2043	35,641	741	36,382
	\$ 744,409	\$ 666,693	\$ 1,411,102

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

The agreement is subject to the following provisions:

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

Note 7. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

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 42 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Other Postemployment Benefits (OPEB) (continued)

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	\$ 18,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>18,000</u>
Contributions made	<u>10,000</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 8,000</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 \$10,000 to the medical plan.

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 18,000	55.6%	\$ 8,000

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 \$133,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$133,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,414,000, and the ratio of the UAAL to covered payroll was 5.5%. 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, mortality 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, will present 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 7. Other Postemployment Benefits (OPEB) (continued)

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 medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 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 \$177,089, \$172,227, and \$164,676, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$181,727 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.

Note 11. Categorical Funding

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

Program	Amount
Gifted and talented programs	\$ 30,924
Returning dropouts and dropout prevention programs	5,640
Four-year-old preschool	34,058
Salary improvement program	21,131
Statewide voluntary preschool program	9,232
Professional development for model core curriculum	14,030
Market factor incentives	1,533
Total	\$ 116,548

Note 12. Subsequent Events

In January 2011, the District approved a lease purchase agreement for a school bus for \$75,552. The agreement will be paid over three years and includes interest at 4.31%.

In February 2011, the District entered into a contract totaling \$289,809 for a roof project.

Required Supplementary Information

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
 Budget and Actual – All Governmental Funds  
 and Proprietary Funds  
 Required Supplementary Information  
 Year Ended June 30, 2010

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 2,657,328	\$ 376,142	\$ 3,033,470	\$ 2,951,984	\$ 2,951,984	\$ 81,486
State sources	2,348,444	3,118	2,351,562	3,032,239	3,032,239	(680,677)
Federal sources	408,468	123,959	532,427	380,000	380,000	152,427
<b>Total revenues</b>	<b>5,414,240</b>	<b>503,219</b>	<b>5,917,459</b>	<b>6,364,223</b>	<b>6,364,223</b>	<b>(446,764)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	3,223,652	-	3,223,652	3,629,210	3,629,210	405,558
Support services	1,380,687	50,931	1,431,618	1,760,000	1,760,000	328,382
Non-instructional programs	-	479,640	479,640	605,000	605,000	125,360
Other expenditures	840,801	-	840,801	660,870	860,870	20,069
<b>Total expenditures/expenses</b>	<b>5,445,140</b>	<b>530,571</b>	<b>5,975,711</b>	<b>6,655,080</b>	<b>6,855,080</b>	<b>879,369</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(30,900)	(27,352)	(58,252)	(290,857)	(490,857)	432,605
Other financing sources, net	7,631	-	7,631	-	-	7,631
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(23,269)	(27,352)	(50,621)	(290,857)	(490,857)	440,236
Balance beginning of year	1,400,013	64,501	1,464,514	997,409	997,409	467,105
Balance end of year	\$ <u>1,376,744</u>	\$ <u>37,149</u>	\$ <u>1,413,893</u>	\$ <u>706,552</u>	\$ <u>506,552</u>	\$ <u>907,341</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$200,000.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 133	\$ 133	0.0%	\$ 2,414	5.5%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 51,606	\$ 129,222	\$ 111,900	\$ 292,728
Receivables:				
Property tax:				
Current year	906	-	1,082	1,988
Succeeding year	90,000	-	104,024	194,024
Total assets	\$ 142,512	\$ 129,222	\$ 217,006	\$ 488,740
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,702	\$ 17,889	\$ 20,591
Deferred revenue:				
Succeeding year property tax	90,000	-	104,024	194,024
Total liabilities	90,000	2,702	121,913	214,615
Fund balances:				
Unreserved:				
Undesignated	52,512	126,520	95,093	274,125
Total liabilities and fund balances	\$ 142,512	\$ 129,222	\$ 217,006	\$ 488,740

See accompanying independent auditor's report.

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

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 84,769	\$ -	\$ 98,662	\$ 183,431
Other	29,279	192,224	-	221,503
Total revenues	114,048	192,224	98,662	404,934
Expenditures:				
Current:				
Instruction	21,530	200,010	-	221,540
Support services:				
Administration services	23,459	-	-	23,459
Operation and maintenance of plant services	48,078	-	19,595	67,673
Transportation services	4,523	-	-	4,523
Other expenditures:				
Facilities acquisition	-	-	85,795	85,795
Total expenditures	97,590	200,010	105,390	402,990
Excess (deficiency) of revenues over (under) expenditures	16,458	(7,786)	(6,728)	1,944
Fund balances beginning of year	36,054	134,306	101,821	272,181
Fund balances end of year	\$ 52,512	\$ 126,520	\$ 95,093	\$ 274,125

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ (1,231)	\$ 1,231	\$ 994	\$ (994)
Vocal Music	-	1,468	1,468	-
Musical	-	1,009	577	432
Music Trip	(3)	19,921	19,775	143
Band/Choir Fundraiser	-	1,710	1,710	-
Instrumental Music	-	1,482	1,482	-
Athletic Gate Receipts	(1,538)	11,686	8,393	1,755
Athletic Pop Sales	299	-	55	244
Pop Sales All	838	3,712	4,059	491
Golf	-	852	852	-
Boys Basketball	-	2,332	2,332	-
Boys Basketball Fundraising	1,011	9,526	7,815	2,722
Football	-	3,615	3,615	-
District Football	81	300	-	381
Football Fundraising	380	1,676	1,557	499
Baseball	-	2,738	2,738	-
Baseball Fundraising	2,097	2,890	3,623	1,364
Boys Track	-	4,622	4,622	-
Boys Track Fundraising	-	1,290	145	1,145
Wrestling	-	2,210	2,210	-
Wrestling Fundraising	(73)	1,627	1,996	(442)
Girls Basketball	-	2,035	2,035	-
Girls Basketball Fundraising	532	3,306	3,302	536
Volleyball	-	1,925	1,925	-
Volleyball Fundraising	924	1,072	852	1,144
Softball	-	3,130	3,130	-
Softball Fundraising	617	70	295	392
Girls Track	-	1,388	1,388	-
Library Book Fair	644	5,326	5,326	644
Pictures	1,226	308	-	1,534
Playground	15,062	47,990	49,107	13,945
Ice Cream Machine	968	-	-	968
Middle School Publications	52	-	-	52
Class of 2000	735	-	735	-
Class of 2001	1,767	-	1,767	-
Class of 2002	701	-	701	-
Class of 2003	59	-	59	-
Class of 2004	1,341	-	1,341	-
Class of 2005	1,176	-	1,176	-

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2007	\$ 2,279	\$ -	\$ 2,279	\$ -
Class of 2008	759	-	759	-
Class of 2009	2,060	-	2,060	-
Class of 2010	2,111	65	727	1,449
Class of 2011	4,139	12	2,342	1,809
Class of 2012	3,666	-	-	3,666
Class of 2013	3,381	-	-	3,381
Class of 2014	2,457	1,487	1,248	2,696
Class of 2015	-	2,112	2,018	94
FFA	1,225	12,711	13,834	102
National Honor Society	2,563	1,008	854	2,717
Student Council	1,021	3,348	3,720	649
Art Club	1,640	-	-	1,640
Foods Club	53	534	382	205
MS Student Council	772	625	539	858
Elementary Pictures	7,526	613	232	7,907
School Cents	32,370	8,816	7,775	33,411
Student Projects	3,501	-	210	3,291
Greenhouse	3,611	-	-	3,611
Yearbook	(5,142)	6,574	805	627
Pep Bus	335	-	-	335
Interest	26,092	2,362	9,173	19,281
General Courtesy Account	4,787	2,841	3,227	4,401
Football Cheerleading	499	957	970	486
Basketball Cheerleading	445	427	433	439
Wrestling Cheerleading	(95)	1,088	934	59
Sassmeisters	2,897	9,295	7,486	4,706
Padlocks	34	-	-	34
CSB Student Projects	250	-	-	250
Larry Whiting Memorial	1,405	-	1,243	162
Variety Show	-	939	356	583
Jeans Day	-	716	-	716
Intrafund Transfers	-	(6,753)	(6,753)	-
<b>Total</b>	<b>\$ 134,306</b>	<b>\$ 192,224</b>	<b>\$ 200,010</b>	<b>\$ 126,520</b>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 2,004,352	\$ 1,819,915	\$ 1,796,806	\$ 1,361,071
Tuition	256,005	229,423	231,913	171,375
Other	396,971	423,369	301,551	316,899
State sources	2,348,444	2,762,031	2,802,687	2,551,932
Federal sources	408,468	182,472	196,649	584,754
Total revenues	<u>\$ 5,414,240</u>	<u>\$ 5,417,210</u>	<u>\$ 5,329,606</u>	<u>\$ 4,986,031</u>
Expenditures:				
Instruction	\$ 3,223,652	\$ 3,084,727	\$ 2,892,389	\$ 2,690,255
Support services:				
Student services	75,411	112,231	108,379	101,494
Instructional staff services	267,525	215,205	716,225	168,569
Administration services	415,673	575,858	557,999	507,777
Operation and maintenance of plant services	454,856	400,090	369,323	393,700
Transportation services	167,222	136,170	160,948	139,881
Non-instructional programs	-	-	-	142
Other expenditures:				
Facilities acquisition	183,447	2,168,579	454,210	1,852,386
Long-term debt:				
Principal	291,770	251,770	178,385	105,000
Interest and fiscal charges	183,857	224,881	123,392	127,811
AEA flowthrough	181,727	167,849	164,956	159,667
Total expenditures	<u>\$ 5,445,140</u>	<u>\$ 7,337,360</u>	<u>\$ 5,726,206</u>	<u>\$ 6,246,682</u>

See accompanying independent auditor's report.

<u>2006</u>	<u>2005</u>
\$ 1,336,164	\$ 1,169,740
176,263	157,642
377,208	323,758
2,444,228	2,301,520
<u>137,321</u>	<u>151,637</u>
<u>\$ 4,471,184</u>	<u>\$ 4,104,297</u>
\$ 2,535,433	\$ 2,391,619
84,274	111,030
133,947	127,729
485,724	527,429
349,764	281,444
129,801	207,612
2,837	-
1,365,909	187,343
100,000	50,419
132,512	3,605
149,095	143,928
<u>149,095</u>	<u>143,928</u>
<u>\$ 5,469,296</u>	<u>\$ 4,032,158</u>

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

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Rural Education	84.358	FY 10	\$ <u>32,475</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 10	10,475
National School Lunch Program	10.555	FY 10	58,836
National School Lunch Program (non-cash)	10.555	FY 10	<u>15,036</u>
			<u>84,347</u>
Child and Adult Care Food Program	10.558	FY 10	<u>8,718</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY 09	994
Title I Grants to Local Educational Agencies	84.010	FY 10	39,837
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 09	4,064
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>20,355</u>
			<u>65,250</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 10	<u>1,138</u>
Improving Teacher Quality State Grants	84.367	FY 10	<u>22,039</u>
Grants for State Assessments and Related Activities	84.369	FY 10	<u>2,743</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 10	<u>204,442</u>
Grant Wood Area Education Agency: Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 10	24,569
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 09	13,436
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>20,154</u>
			<u>58,159</u>

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

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency (continued):			
Career and Technical Education - Basic Grants to States	84.048	FY 10	\$ <u>6,197</u>
Mount Vernon Community School District:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 10	<u>6,945</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Child Care and Development Block Grant	93.575	FY 10	<u>31,904</u>
Head Start	93.600	FY 10	<u>9,080</u>
Total			<u>\$ <u>533,437</u></u>

Basis of Presentation –

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

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central City Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central City Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central City Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10, II-D-10, and II-E-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as item II-A-10 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 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 Central City's, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 9, 2011

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  
Central City Community School District:

Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Oskaloosa, Iowa  
March 9, 2011

CENTRAL CITY 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) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were 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 – Education State Grants, Recovery Act
  - 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 City Community School District did not qualify as a low-risk auditee.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- II-A-10 Financial Condition – The District had deficit net assets of \$103,454 in the Enterprise, ABC Childcare Fund at June 30, 2010.

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

Response – We are continuing to work on this. For fiscal year 2011, we have increased the rent charged to the General Fund for use of building space and reduced administrative positions. The City of Central City has also waived four months of capital lease payments from the ABC Childcare Fund by applying the unused amount of the original loan money.

Conclusion – Response accepted.

Internal Control Deficiencies:

- II-B-10 Bank Reconciliations – We noted that bank reconciliations are prepared for each bank account but are not always reconciled to the general ledger and outstanding items are not being investigated timely. In addition, we noted differences between the amounts of non-sufficient funds checks on the bank reconciliations and the detailed listing for the various funds. We also noted differences in the interfund receivable and payable balances between the bank reconciliations for the affected funds. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any outstanding items should be investigated and corrected as soon as possible. Non-sufficient funds checks held in each fund should be reconciled to the detailed listing monthly. All interfund reimbursements should be reconciled between each applicable fund and to actual amounts.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any outstanding items will be investigated and corrected timely and non-sufficient funds checks will be reconciled to the detailed listing. All interfund reimbursements will also be properly reconciled.

Conclusion – Response accepted.

- II-C-10 Fundraisers – We noted that supporting documentation for fundraiser revenues is kept by individual activity club sponsors. There are no set procedures in place to review this information for accuracy and completeness other than review by the activity sponsor, who is also responsible for the initial collection of fundraising money.

Recommendation – The District should ensure that a listing of the ongoing fundraising activities is provided to the appropriate accounting personnel. An accounting of the estimated and actual receipts, disbursements, and profit of each activity should be prepared by the student organization and submitted with the money collected to the appropriate office personnel. The office personnel should be responsible for keeping track of the ongoing fundraisers and ensuring that the collected funds are remitted to the office and deposited on a timely basis.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

Internal Control Deficiencies (continued):

II-C-10 Fundraisers (continued)

Response – We will be implementing new fundraiser procedures for the year ending June 30, 2011.

Conclusion – Response accepted.

II-D-10 Disbursements – Out of fifty disbursements tested, five were not fully supported by an invoice or receipt prior to the check being released for payment.

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

Response – We will make sure that all future disbursements are properly supported prior to the check being released for payment.

Conclusion – Response accepted.

II-E-10 Disbursement Approval – Out of forty disbursements tested, the Board had not approved one disbursement.

Recommendation – This weakens the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

Response – We will make sure that all disbursements are properly approved by the Board in the future.

Conclusion – Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Part IV: Other Findings Related to 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 Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- IV-C-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:

Name, Title and Business Connection	Transaction Description	Amount
Don Hogan, Spouse of Board Secretary Owner of Don Hogan Construction	Construction services	\$1,380

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction does 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 insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes – Except as previously noted in item II-E-10, no transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the 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 non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-10 Certified Annual Report – We noted no significant deficiencies in the amounts reported on the Certified Annual Report. However, the report was not certified to the Iowa Department of Education timely.  
  
Recommendation – In the future, the District should certify the Certified Annual Report in a timely manner.  
  
Response – We will try to certify our Certified Annual Report in a timely manner in the future.  
  
Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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

- IV-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

Beginning balance	\$	263,910
Statewide sales and services tax revenue		482,089
Interest		2,868
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$	97,652
Debt service for school infrastructure:		
General obligation debt		334,622
		236,970
Ending balance	\$	414,245

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

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ 4.87542	\$	482,089