

**CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
CENTRAL CITY, IOWA**

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

**JUNE 30, 2011**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>OFFICIALS</b>	3
<b>INDEPENDENT AUDITOR’S REPORT</b>	4-5
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Exhibit</b>	
<b>District-Wide Financial Statements:</b>	
<b>A</b> Statement of Net Assets	8-9
<b>B</b> Statement of Activities	10-13
<b>Governmental Fund Financial Statements:</b>	
<b>C</b> Balance Sheet	14-15
<b>D</b> Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	16
<b>E</b> Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
<b>F</b> Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
<b>Proprietary Fund Financial Statements:</b>	
<b>G</b> Statement of Net Assets	20
<b>H</b> Statement of Revenues, Expenses and Changes in Net Assets	21
<b>I</b> Statement of Cash Flows	22-23
<b>Fiduciary Fund Financial Statements:</b>	
<b>J</b> Statement of Fiduciary Net Assets	24
<b>K</b> Statement of Changes in Fiduciary Net Assets	25
 Notes to Financial Statements	 26-44
 <b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
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
 <b>OTHER SUPPLEMENTARY INFORMATION:</b>	
<b>Schedule</b>	
<b>Nonmajor Governmental Funds:</b>	
<b>1</b> Combining Balance Sheet	50
<b>2</b> Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	51
<b>Capital Projects Accounts:</b>	
<b>3</b> Combining Balance Sheet	52
<b>4</b> Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
<b>5</b> Schedule of Changes in Special Revenue Fund, Student Activity Accounts	54-55
<b>6</b> Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	56-57
 <b>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</b>	          58-59
 <b>SCHEDULE OF FINDINGS</b>	 60-63

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
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 and Business Manager	2011
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, 2011, 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, 2011, 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 January 17, 2012 on our consideration of Central City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 six years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 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  
January 17, 2012

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## Basic Financial Statements

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,794,617	\$ 63,274	\$ 1,857,891
Receivables:			
Property tax:			
Current year	21,356	-	21,356
Succeeding year	1,896,774	-	1,896,774
Accounts	1,856	6,721	8,577
Due from other governments	305,363	989	306,352
Inventories	-	5,567	5,567
Capital assets, net of accumulated depreciation (note 4)	6,632,031	767,555	7,399,586
<b>Total assets</b>	<b>10,651,997</b>	<b>844,106</b>	<b>11,496,103</b>
<b>Liabilities</b>			
Accounts payable	276,060	1,336	277,396
Salaries and benefits payable	487,402	40,681	528,083
Accrued interest payable	29,030	-	29,030
Deferred revenue:			
Succeeding year property tax	1,896,774	-	1,896,774
Other	94,781	4,307	99,088
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	10,000	-	10,000
Bonds payable	170,000	-	170,000
Capital lease purchase agreements	24,129	10,720	34,849
Portion due after one year:			
Bonds payable	3,685,000	-	3,685,000
Capital lease purchase agreements	25,169	723,354	748,523
Net OPEB liability	14,000	-	14,000
<b>Total liabilities</b>	<b>6,712,345</b>	<b>780,398</b>	<b>7,492,743</b>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,727,733	\$ 33,481	\$ 2,761,214
Restricted for:			
Categorical funding (note 10)	195,747	-	195,747
Management levy	73,814	-	73,814
Physical plant and equipment levy	182,403	-	182,403
Student activities	117,411	-	117,411
Capital projects	238,418	-	238,418
Unrestricted	404,126	30,227	434,353
	<u>404,126</u>	<u>30,227</u>	<u>434,353</u>
Total net assets	<u>\$ 3,939,652</u>	<u>\$ 63,708</u>	<u>\$ 4,003,360</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 3,358,602	\$ 535,796	\$ 469,329	\$ 40,441
Support services:				
Student services	57,163	3,027	2,289	-
Instructional staff services	300,252	-	-	-
Administration services	487,131	-	-	-
Operation and maintenance of plant services	447,863	21,095	-	-
Transportation services	158,114	-	1,098	-
	<u>1,450,523</u>	<u>24,122</u>	<u>3,387</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	100,755	-	-	-
Long-term debt interest and fiscal charges	176,924	-	-	-
AEA flowthrough	191,867	-	191,867	-
Depreciation (unallocated) *	131,869	-	-	-
	<u>601,415</u>	<u>-</u>	<u>191,867</u>	<u>-</u>
Total governmental activities	<u>5,410,540</u>	<u>559,918</u>	<u>664,583</u>	<u>40,441</u>
<b>Business-Type Activities:</b>				
Support services:				
Administration services	35,596	-	-	-
Operation and maintenance of plant services	14,387	-	-	-
	<u>49,983</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	211,461	115,056	88,145	-
Daycare operations	253,777	288,106	50,349	-
	<u>465,238</u>	<u>403,162</u>	<u>138,494</u>	<u>-</u>
Total business-type activities	<u>515,221</u>	<u>403,162</u>	<u>138,494</u>	<u>-</u>
Total	<u>\$ 5,925,761</u>	<u>\$ 963,080</u>	<u>\$ 803,077</u>	<u>\$ 40,441</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,313,036)	\$ -	\$ (2,313,036)
(51,847)	-	(51,847)
(300,252)	-	(300,252)
(487,131)	-	(487,131)
(426,768)	-	(426,768)
(157,016)	-	(157,016)
(1,423,014)	-	(1,423,014)
(100,755)	-	(100,755)
(176,924)	-	(176,924)
-	-	-
(131,869)	-	(131,869)
(409,548)	-	(409,548)
(4,145,598)	-	(4,145,598)
-	(35,596)	(35,596)
-	(14,387)	(14,387)
-	(49,983)	(49,983)
-	(8,260)	(8,260)
-	84,678	84,678
-	76,418	76,418
-	26,435	26,435
(4,145,598)	26,435	(4,119,163)

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs

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General revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Statewide sales, services and use 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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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	1,380,226	\$ -	\$	1,380,226
	231,356	-		231,356
	104,094	-		104,094
	445,565	-		445,565
	2,395,538	-		2,395,538
	13,632	124		13,756
	51,347	-		51,347
	<hr/> 4,621,758	124		<hr/> 4,621,882
	476,160	26,559		502,719
	<hr/> 3,463,492	37,149		<hr/> 3,500,641
\$	<u><u>3,939,652</u></u>	<u><u>\$ 63,708</u></u>	\$	<u><u>4,003,360</u></u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 1,043,643	\$ 548,893	\$ 202,081	\$ 1,794,617
Receivables:				
Property tax:				
Current year	16,400	1,183	3,773	21,356
Succeeding year	1,399,021	108,884	388,869	1,896,774
Accounts	1,856	-	-	1,856
Due from other governments	219,668	85,695	-	305,363
<b>Total assets</b>	<b><u>\$ 2,680,588</u></b>	<b><u>\$ 744,655</u></b>	<b><u>\$ 594,723</u></b>	<b><u>\$ 4,019,966</u></b>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 59,285	\$ 214,950	\$ 1,825	\$ 276,060
Salaries and benefits payable	487,402	-	-	487,402
<b>Deferred revenue:</b>				
Succeeding year property tax	1,399,021	108,884	388,869	1,896,774
Other	94,781	-	-	94,781
<b>Total liabilities</b>	<b>2,040,489</b>	<b>323,834</b>	<b>390,694</b>	<b>2,755,017</b>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Categorical funding (note 10)	195,747	-	-	195,747
Debt service	-	-	2,804	2,804
Management levy purposes	-	-	83,814	83,814
Student activities	-	-	117,411	117,411
School infrastructure	-	238,418	-	238,418
Physical plant and equipment	-	182,403	-	182,403
Unassigned	444,352	-	-	444,352
<b>Total fund balances</b>	<b>640,099</b>	<b>420,821</b>	<b>204,029</b>	<b>1,264,949</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,680,588</b>	<b>\$ 744,655</b>	<b>\$ 594,723</b>	<b>\$ 4,019,966</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, 2011

Total fund balances of governmental funds	\$ 1,264,949
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.	6,632,031
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.	(29,030)
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>(3,928,298)</u>
Net assets of governmental activities	<u>\$ 3,939,652</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, 2011

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,290,181	\$ 549,659	\$ 321,401	\$ 2,161,241
Tuition	328,433	-	-	328,433
Other	132,685	1,966	201,654	336,305
State sources	2,874,591	-	-	2,874,591
Federal sources	185,530	-	-	185,530
Total revenues	<u>4,811,420</u>	<u>551,625</u>	<u>523,055</u>	<u>5,886,100</u>
<b>Expenditures:</b>				
Current:				
Instruction	<u>3,200,524</u>	-	200,199	<u>3,400,723</u>
Support services:				
Student services	57,163	-	-	57,163
Instructional staff services	290,252	-	-	290,252
Administration services	466,214	-	19,505	485,719
Operation and maintenance of plant services	401,120	-	45,237	446,357
Transportation services	231,580	-	4,311	235,891
	<u>1,446,329</u>	-	<u>69,053</u>	<u>1,515,382</u>
Other expenditures:				
Facilities acquisition	-	392,372	-	392,372
Long term debt:				
Principal	-	-	396,410	396,410
Interest and fiscal charges	-	-	177,293	177,293
AEA flowthrough	191,867	-	-	191,867
	<u>191,867</u>	<u>392,372</u>	<u>573,703</u>	<u>1,157,942</u>
Total expenditures	<u>4,838,720</u>	<u>392,372</u>	<u>842,955</u>	<u>6,074,047</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,300)</u>	<u>159,253</u>	<u>(319,900)</u>	<u>(187,947)</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 600	\$ -	\$ -	\$ 600
Interfund transfers in (note 3)	-	-	342,409	342,409
Interfund transfers out (note 3)	(94,639)	(247,770)	-	(342,409)
Capital lease proceeds	75,552	-	-	75,552
Total other financing sources (uses)	<u>(18,487)</u>	<u>(247,770)</u>	<u>342,409</u>	<u>76,152</u>
Net change in fund balances	(45,787)	(88,517)	22,509	(111,795)
Fund balances beginning of year, as restated (note 12)	<u>685,886</u>	<u>509,338</u>	<u>181,520</u>	<u>1,376,744</u>
Fund balances end of year	<u>\$ 640,099</u>	<u>\$ 420,821</u>	<u>\$ 204,029</u>	<u>\$ 1,264,949</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, 2011

Net change in fund balances - total governmental funds \$ (111,795)

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	\$ 437,936	
Depreciation expense	<u>(165,208)</u>	272,728

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (75,552)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 396,410

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. 369

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:

Net OPEB liability	<u>(6,000)</u>
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Change in net assets of governmental activities \$ 476,160

See notes to financial statements.

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	ABC Childcare	Nonmajor - School Nutrition	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 12,318	\$ 34,442	\$ 46,760
Cash with fiscal agent	16,514	-	16,514
Accounts receivable	3,780	2,941	6,721
Due from other governments	989	-	989
Inventories	-	5,567	5,567
Capital assets, net of accumulated depreciation (note 4)	663,441	104,114	767,555
<b>Total assets</b>	<b>697,042</b>	<b>147,064</b>	<b>844,106</b>
<b>Liabilities</b>			
Accounts payable	1,055	281	1,336
Salaries and benefits payable	28,868	11,813	40,681
Deferred revenue	1,784	2,523	4,307
Long-term liabilities (note 5):			
Portion due within one year:			
Capital lease purchase agreement	10,720	-	10,720
Portion due after one year:			
Capital lease purchase agreement	723,354	-	723,354
<b>Total liabilities</b>	<b>765,781</b>	<b>14,617</b>	<b>780,398</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(70,633)	104,114	33,481
Unrestricted	1,894	28,333	30,227
<b>Total net assets</b>	<b>\$ (68,739)</b>	<b>\$ 132,447</b>	<b>\$ 63,708</b>

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, 2011

	ABC Childcare	Nonmajor - School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 288,106	\$ 115,056	\$ 403,162
Operating expenses:			
Support services:			
Administration services	35,596	-	35,596
Operation and maintenance of plant services	14,387	-	14,387
Non-instructional programs	253,777	211,461	465,238
	<u>303,760</u>	<u>211,461</u>	<u>515,221</u>
Operating loss	(15,654)	(96,405)	(112,059)
Non-operating revenues:			
Interest on investments	20	104	124
Contributions	18,737	-	18,737
State sources	-	1,973	1,973
Federal sources	31,612	86,172	117,784
Total non-operating revenues	<u>50,369</u>	<u>88,249</u>	<u>138,618</u>
Change in net assets	34,715	(8,156)	26,559
Net assets beginning of year	<u>(103,454)</u>	140,603	37,149
Net assets end of year	<u>\$ (68,739)</u>	<u>\$ 132,447</u>	<u>\$ 63,708</u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	ABC Childcare	Nonmajor - School Nutrition	Total
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ -	\$ 114,023	\$ 114,023
Cash received from miscellaneous operating activities	290,287	615	290,902
Cash payments to employees for services	(251,583)	(73,968)	(325,551)
Cash payments to suppliers for goods or services	(61,207)	(109,169)	(170,376)
Net cash used by operating activities	<u>(22,503)</u>	<u>(68,499)</u>	<u>(91,002)</u>
<b>Cash flows from non-capital financing activities:</b>			
Contributions received	837	-	837
State grants received	-	1,973	1,973
Federal grants received	31,368	75,156	106,524
Net cash provided by non-capital financing activities	<u>32,205</u>	<u>77,129</u>	<u>109,334</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on capital lease	(5,947)	-	(5,947)
<b>Cash flows from investing activities:</b>			
Interest on investments	20	104	124
Net increase in cash and cash equivalents	3,775	8,734	12,509
Cash and cash equivalents beginning of year	<u>25,057</u>	<u>25,708</u>	<u>50,765</u>
Cash and cash equivalents end of year	<u>\$ 28,832</u>	<u>\$ 34,442</u>	<u>\$ 63,274</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	ABC Childcare	Nonmajor - School Nutrition	Total
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (15,654)	\$ (96,405)	\$ (112,059)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	15,796	14,854	30,650
Commodities used	-	11,016	11,016
Contributions applied to capital lease interest payments	13,512	-	13,512
(Increase) decrease in accounts receivable	397	(2,941)	(2,544)
Decrease in inventories	-	1,822	1,822
Increase (decrease) in accounts payable	(1,915)	281	(1,634)
Increase in salaries and benefits payable	5,902	351	6,253
(Decrease) in interfund payable	(42,325)	-	(42,325)
Increase in deferred revenue	1,784	2,523	4,307
Net cash used by operating activities	<u>\$ (22,503)</u>	<u>\$ (68,499)</u>	<u>\$ (91,002)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$11,016 of federal commodities and \$17,900 of contributions applied to the capital lease purchase agreement payments.

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<b>Assets:</b>		
Cash and pooled investments	\$ <u>67,194</u>	
<b>Liabilities:</b>		
None		<u>-</u>
<b>Net assets:</b>		
Reserved for scholarships		\$ <u><u>67,194</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, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
<b>Additions:</b>		
<b>Local sources:</b>		
Interest	\$	<u>1,501</u>
<b>Deductions:</b>		
None		<u>-</u>
Change in net assets		1,501
Net assets beginning of year		<u>65,693</u>
Net assets end of year	\$	<u><u>67,194</u></u>

See notes to financial statements.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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. Combining schedules are also included for the Capital Projects Fund accounts.

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

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, 2011

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 funds are 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.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the 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 in the governmental funds consists of unspent grant proceeds and the succeeding year property tax receivable.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for governmental activities 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.

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

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, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments (continued)

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.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 268

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, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 94,639
Debt Service	Capital Projects	247,770
Total		\$ 342,409

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

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 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	-	258,270	-	258,270
Total capital assets not being depreciated	396,830	258,270	-	655,100
Capital assets being depreciated:				
Buildings	7,065,138	10,705	10,483	7,065,360
Improvements other than buildings	17,889	67,487	-	85,376
Furniture and equipment	794,144	101,474	31,242	864,376
Total capital assets being depreciated	7,877,171	179,666	41,725	8,015,112
Less accumulated depreciation for:				
Buildings	1,285,130	135,969	10,483	1,410,616
Improvements other than buildings	-	358	-	358
Furniture and equipment	629,568	28,881	31,242	627,207
Total accumulated depreciation	1,914,698	165,208	41,725	2,038,181
Total capital assets being depreciated, net	5,962,473	14,458	-	5,976,931
Governmental activities capital assets, net	\$ 6,359,303	\$ 272,728	\$ -	\$ 6,632,031

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Capital Assets (continued)

Capital assets activity (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	110,572	15,796	-	126,368
Furniture and equipment	65,379	14,854	-	80,233
	175,951	30,650	-	206,601
Business-type activities capital assets, net	\$ 798,205	\$ (30,650)	\$ -	\$ 767,555

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

Governmental activities:	
Instruction	\$ 13,471
Support services:	
Administration	1,412
Operation and maintenance of plant services	1,506
Transportation	16,950
	33,339
Unallocated depreciation	131,869
Total governmental activities depreciation expense	\$ 165,208
Business-type activities:	
Food service operations	\$ 14,854
Daycare operations	15,796
Total business-type activities depreciation expense	\$ 30,650

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2011 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	\$ 10,000	\$ 4,020,000	\$ 205,156	\$ 8,000	\$ 4,243,156
Additions	10,000	-	75,552	6,000	91,552
Reductions	10,000	165,000	231,410	-	406,410
Balance end of year	<u>\$ 10,000</u>	<u>\$ 3,855,000</u>	<u>\$ 49,298</u>	<u>\$ 14,000</u>	<u>\$ 3,928,298</u>
Due within one year	<u>\$ 10,000</u>	<u>\$ 170,000</u>	<u>\$ 24,129</u>	<u>\$ -</u>	<u>\$ 204,129</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 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. Early retirement benefits will be paid in August of the current year of retirement.

At June 30, 2011, the District has obligations to one participant with a total liability of \$10,000. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$10,000. 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, 2011

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated May 1, 2005			
	Interest Rates	Principal	Interest	Total
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>\$ 2,385,000</u>	<u>\$ 842,354</u>	<u>\$ 3,227,354</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Issue Dated November 1, 2007			
	Interest Rates	Principal	Interest	Total
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>\$ 1,470,000</u>	<u>\$ 766,206</u>	<u>\$ 2,236,206</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Bonds Payable (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
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>\$ 3,855,000</u>	<u>\$ 1,608,560</u>	<u>\$ 5,463,560</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement

During the year ended June 30, 2011, the District entered into a lease purchase agreement for a bus totaling \$75,552. The agreement provides for three annual payments of \$26,254 and includes interest at 4.31%.

Details of the District's June 30, 2011 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 24,129	\$ 2,125	\$ 26,254
2013	25,169	1,085	26,254
	\$ 49,298	\$ 3,210	\$ 52,508

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2011 is as follows:

	Capital Lease Purchase Agreement
Balance beginning of year	\$ 744,409
Additions	-
Reductions	10,335
Balance end of year	\$ 734,074
Due within one year	\$ 10,720

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, 2011

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2011 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
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	35,647	741	36,388
	<u>\$ 734,074</u>	<u>\$ 634,074</u>	<u>\$ 1,368,148</u>

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. 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 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 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.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$	19,100
Interest on net OPEB obligation		200
Adjustment to annual required contribution		<u>(1,300)</u>
Annual OPEB cost		18,000
Contributions made		<u>(12,000)</u>
Increase in net OPEB obligation		6,000
Net OPEB obligation beginning of year		<u>8,000</u>
Net OPEB obligation end of year	\$	<u><u>14,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$12,000 to the medical plan.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Other Postemployment Benefits (OPEB) (continued)

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, 2011 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, 2011	\$ 18,000	66.7%	\$ 14,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$124,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$124,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,737,000, and the ratio of the UAAL to covered payroll was 4.5%. As of June 30, 2011, 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.

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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$200,172, \$177,089, and \$172,227, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,867 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Gifted and talented programs	\$ 32,663
Returning dropouts and dropout prevention programs	9,944
Four-year-old preschool	111,169
Salary improvement program	21,131
Professional development for model core curriculum	20,840
Total	\$ 195,747

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 11. Construction Commitments

The District has entered into various contracts totaling \$510,659 for a roof project and an elementary window project. As of June 30, 2011, costs of \$235,866 had been incurred against the contracts. The balance of \$274,793 remaining at June 30, 2011 will be paid as work on the projects progresses.

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 414,245	\$ 95,093
Change in fund type classification per implementation of GASB Statement No. 54	95,093	(95,093)
Balances July 1, 2010, as restated	\$ 509,338	\$ -

**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, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 2,825,979	\$ 422,023	\$ 3,248,002	\$ 3,254,085	\$ (6,083)
Intermediate sources	-	-	-	3,200	(3,200)
State sources	2,874,591	1,973	2,876,564	3,168,068	(291,504)
Federal sources	185,530	117,784	303,314	273,000	30,314
<b>Total revenues</b>	<b>5,886,100</b>	<b>541,780</b>	<b>6,427,880</b>	<b>6,698,353</b>	<b>(270,473)</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	3,400,723	-	3,400,723	3,648,000	247,277
Support services	1,515,382	49,983	1,565,365	1,872,000	306,635
Non-instructional programs	-	465,238	465,238	580,000	114,762
Other expenditures	1,157,942	-	1,157,942	720,959	(436,983)
<b>Total expenditures/expenses</b>	<b>6,074,047</b>	<b>515,221</b>	<b>6,589,268</b>	<b>6,820,959</b>	<b>231,691</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(187,947)	26,559	(161,388)	(122,606)	(38,782)
Other financing sources, net	76,152	-	76,152	-	76,152
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(111,795)	26,559	(85,236)	(122,606)	37,370
Balance beginning of year	1,376,744	37,149	1,413,893	549,676	864,217
Balance end of year	\$ <u>1,264,949</u>	\$ <u>63,708</u>	\$ <u>1,328,657</u>	\$ <u>427,070</u>	\$ <u>901,587</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2011

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

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

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

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2011

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%
2011	July 1, 2009	-	124	124	0.0%	2,737	4.5%

See note 6 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.

See accompanying independent auditor's report.

## Other Supplementary Information

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
<b>Assets</b>				
Cash and pooled investments	\$ 82,670	\$ 119,236	\$ 175	\$ 202,081
Receivables:				
Property tax:				
Current year	1,144	-	2,629	3,773
Succeeding year	160,000	-	228,869	388,869
	243,814	119,236	231,673	594,723
<b>Total assets</b>	<b>\$ 243,814</b>	<b>\$ 119,236</b>	<b>\$ 231,673</b>	<b>\$ 594,723</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 1,825	\$ -	\$ 1,825
Deferred revenue:				
Succeeding year property tax	160,000	-	228,869	388,869
<b>Total liabilities</b>	<b>160,000</b>	<b>1,825</b>	<b>228,869</b>	<b>390,694</b>
<b>Fund balances:</b>				
Restricted for:				
Debt service	-	-	2,804	2,804
Management levy purposes	83,814	-	-	83,814
Student activities	-	117,411	-	117,411
<b>Total fund balances</b>	<b>83,814</b>	<b>117,411</b>	<b>2,804</b>	<b>204,029</b>
<b>Total liabilities and fund balances</b>	<b>\$ 243,814</b>	<b>\$ 119,236</b>	<b>\$ 231,673</b>	<b>\$ 594,723</b>

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, 2011

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 90,045	\$ -	\$ 231,356	\$ 321,401
Other	20,310	181,090	254	201,654
Total revenues	<u>110,355</u>	<u>181,090</u>	<u>231,610</u>	<u>523,055</u>
<b>Expenditures:</b>				
Current:				
Instruction	10,000	190,199	-	200,199
Support services:				
Administration services	19,505	-	-	19,505
Operation and maintenance of plant services	45,237	-	-	45,237
Transportation services	4,311	-	-	4,311
Other expenditures:				
Long term debt:				
Principal	-	-	396,410	396,410
Interest and fiscal charges	-	-	177,293	177,293
Total expenditures	<u>79,053</u>	<u>190,199</u>	<u>573,703</u>	<u>842,955</u>
Excess (deficiency) of revenues over (under) expenditures	31,302	(9,109)	(342,093)	(319,900)
Other financing sources:				
Interfund transfers in	-	-	342,409	342,409
Net change in fund balances	31,302	(9,109)	316	22,509
Fund balances beginning of year	<u>52,512</u>	<u>126,520</u>	<u>2,488</u>	<u>181,520</u>
Fund balances end of year	<u>\$ 83,814</u>	<u>\$ 117,411</u>	<u>\$ 2,804</u>	<u>\$ 204,029</u>

See accompanying independent auditor's report.

## CENTRAL CITY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ 367,405	\$ 181,220	\$ 268	\$ 548,893
Receivables:				
Property tax:				
Current year	-	1,183	-	1,183
Succeeding year	-	108,884	-	108,884
Due from other governments	85,695	-	-	85,695
Total assets	\$ 453,100	\$ 291,287	\$ 268	\$ 744,655
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 214,950	\$ -	\$ -	\$ 214,950
Deferred revenue:				
Succeeding year property tax	-	108,884	-	108,884
Total liabilities	214,950	108,884	-	323,834
<b>Fund balances:</b>				
Restricted for:				
School infrastructure	238,150	-	268	238,418
Physical plant and equipment	-	182,403	-	182,403
Total fund balances	238,150	182,403	268	420,821
Total liabilities and fund balances	\$ 453,100	\$ 291,287	\$ 268	\$ 744,655

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2011

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Construction Projects</u>	<u>Total</u>
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 445,565	\$ 104,094	\$ -	\$ 549,659
Other	1,966	-	-	1,966
Total revenues	<u>447,531</u>	<u>104,094</u>	<u>-</u>	<u>551,625</u>
<b>Expenditures:</b>				
Other expenditures:				
Facilities acquisition	375,588	16,784	-	392,372
Excess of revenues over expenditures	71,943	87,310	-	159,253
<b>Other financing uses:</b>				
Interfund transfers out	<u>(247,770)</u>	-	-	<u>(247,770)</u>
Net change in fund balances	(175,827)	87,310	-	(88,517)
Fund balances beginning of year, as restated	<u>413,977</u>	<u>95,093</u>	<u>268</u>	<u>509,338</u>
Fund balances end of year	<u>\$ 238,150</u>	<u>\$ 182,403</u>	<u>\$ 268</u>	<u>\$ 420,821</u>

See accompanying independent auditor's report.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech	\$ (994)	\$ 1,211	\$ 1,424	\$ (1,207)
Vocal Music	-	1,820	1,820	-
Musical	432	1,232	1,664	-
Music Trip	143	-	-	143
Band/Choir Fundraiser	-	953	953	-
Variety Show	583	-	373	210
Instrumental Music	-	2,315	2,315	-
Athletic Gate Receipts	1,755	8,093	9,188	660
Athletic Pop Sales	244	-	-	244
Pop Sales All	491	3,764	4,153	102
Golf	-	1,087	1,087	-
Boys Basketball	-	2,218	2,218	-
Boys Basketball Fundraising	2,722	10,754	12,305	1,171
Football	-	8,203	8,203	-
District Football	381	800	258	923
Football Fundraising	499	5,790	5,890	399
Baseball	-	3,775	3,335	440
Baseball Fundraising	1,364	529	459	1,434
Boys Track	-	873	873	-
Boys Track Fundraising	1,145	2,015	2,540	620
Wrestling	-	1,677	1,677	-
Wrestling Fundraising	(442)	1,366	924	-
Girls Basketball	-	2,085	2,085	-
Girls Basketball Fundraising	536	8,000	6,232	2,304
Volleyball	-	1,774	1,774	-
Volleyball Fundraising	1,144	2,485	2,285	1,344
Softball	-	4,386	3,746	640
Softball Fundraising	392	-	-	392
Girls Track	-	1,830	1,830	-
Library Book Fair	644	5,802	4,621	1,825
Pictures	1,534	373	-	1,907
Playground	13,945	2,927	16,605	267
Ice Cream Machine	968	-	60	908
Middle School Publications	52	-	-	52
CSB Student Projects	250	88	338	-
Football Cheerleading	486	1,201	954	733
Basketball Cheerleading	439	1,008	1,447	-
Wrestling Cheerleading	59	693	752	-
Sassmeisters	4,706	8,453	10,752	2,407

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of 2010	\$ 1,449	\$ -	\$ -	\$ 1,449
Class of 2011	1,809	332	570	1,571
Class of 2012	3,666	10	2,443	1,233
Class of 2013	3,381	-	125	3,256
Class of 2014	2,696	-	-	2,696
Class of 2015	94	4,350	3,952	492
Class of 2016	-	2,979	2,421	558
FFA	102	11,875	11,977	-
National Honor Society	2,717	714	462	2,969
Student Council	649	2,152	2,177	624
Art Club	1,640	-	-	1,640
Foods Club	205	-	-	205
MS Student Council	858	329	123	1,064
Larry Whiting Memorial	162	-	-	162
Elementary Pictures	7,907	1,669	444	9,132
Robotics	-	100	70	30
School Cents	33,411	2,429	25,430	10,410
Jeans Day	716	930	936	710
Interest	19,281	1,374	2,757	17,898
Student Projects	3,291	-	48	3,243
Greenhouse	3,611	-	-	3,611
Yearbook	627	965	1,871	(279)
Pep Bus	335	-	-	335
General Courtesy Account	4,401	9,375	11,020	2,756
Padlocks	34	-	-	34
Greenhouse Facility	-	40,441	6,747	33,694
Intrafund Transfers	-	1,486	1,486	-
<b>Total</b>	<b>\$ 126,520</b>	<b>\$ 181,090</b>	<b>\$ 190,199</b>	<b>\$ 117,411</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 SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,161,241	\$ 2,004,352	\$ 1,819,915	\$ 1,796,806
Tuition	328,433	256,005	229,423	231,913
Other	336,305	396,971	423,369	301,551
State sources	2,874,591	2,348,444	2,762,031	2,802,687
Federal sources	185,530	408,468	182,472	196,649
<b>Total revenues</b>	<b>\$ 5,886,100</b>	<b>\$ 5,414,240</b>	<b>\$ 5,417,210</b>	<b>\$ 5,329,606</b>
<b>Expenditures:</b>				
Instruction	\$ 3,400,723	\$ 3,223,652	\$ 3,084,727	\$ 2,892,389
Support services:				
Student services	57,163	75,411	112,231	108,379
Instructional staff services	290,252	267,525	215,205	716,225
Administration services	485,719	415,673	575,858	557,999
Operation and maintenance of plant services	446,357	454,856	400,090	369,323
Transportation services	235,891	167,222	136,170	160,948
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	392,372	183,447	2,168,579	454,210
Long-term debt:				
Principal	396,410	291,770	251,770	178,385
Interest and fiscal charges	177,293	183,857	224,881	123,392
AEA flowthrough	191,867	181,727	167,849	164,956
<b>Total expenditures</b>	<b>\$ 6,074,047</b>	<b>\$ 5,445,140</b>	<b>\$ 7,337,360</b>	<b>\$ 5,726,206</b>

See accompanying independent auditor's report.

2007	2006	2005
\$ 1,361,071	\$ 1,336,164	\$ 1,169,740
171,375	176,263	157,642
316,899	377,208	323,758
2,551,932	2,444,228	2,301,520
584,754	137,321	151,637
\$ 4,986,031	\$ 4,471,184	\$ 4,104,297
\$ 2,690,255	\$ 2,535,433	\$ 2,391,619
101,494	84,274	111,030
168,569	133,947	127,729
507,777	485,724	527,429
393,700	349,764	281,444
139,881	129,801	207,612
142	2,837	-
1,852,386	1,365,909	187,343
105,000	100,000	50,419
127,811	132,512	3,605
159,667	149,095	143,928
\$ 6,246,682	\$ 5,469,296	\$ 4,032,158

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2012. 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, we identified certain deficiencies in internal control over financial reporting 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.

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 I of the accompanying Schedule of Findings as items I-B-11 and I-C-11 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 I-A-11 in the accompanying Schedule of Findings and certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Oskaloosa, Iowa  
January 17, 2012

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

I-A-11 Financial Condition – The District had deficit net assets of \$68,739 in the Enterprise, ABC Childcare Fund at June 30, 2011.

Recommendation – The District needs to explore alternatives to restore the ABC Childcare Fund to a sound financial condition.

Response – We are continuing to work on this. Net assets have improved by \$34,715 over last year.

Conclusion – Response accepted.

Internal Control Deficiencies:

I-B-11 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.

Response – We will be implementing new fundraiser procedures for the year ending June 30, 2012.

Conclusion – Response accepted.

I-C-11 Signatures on Checks – We noted one batch of seven Enterprise, School Nutrition Fund checks totaling \$14,019 did not have dual signatures as required. The checks were only signed by the Board President.

Recommendation – All checks should be signed by both the Board President and the Board Secretary.

Response – We will make sure all checks have dual signatures on them in the future.

Conclusion – Response accepted.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the other expenditures function.

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

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

Conclusion – Response accepted.

II-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 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	\$25,965

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction does not appear to represent a conflict of interest.

II-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 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.

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

II-J-11 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.

II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance	\$		413,977
Revenues:			
Sales tax revenues	\$	445,565	
Interest		1,966	447,531
Expenditures/transfers out:			
School infrastructure construction services		374,913	
Equipment		675	
Transfers to other funds:			
Debt Service Fund		247,770	623,358
Ending balance	\$		238,150

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

CENTRAL CITY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

II-L-11 Statewide Sales and Services Tax (continued)

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation		Property Tax Dollars Reduced
	<u>          </u>		<u>          </u>
Debt service levy	\$ 1.06706	\$	111,000