

**COLLEGE COMMUNITY
SCHOOL DISTRICT
CEDAR RAPIDS, IOWA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FINDINGS AND QUESTIONED COSTS
June 30, 2005**

TABLE OF CONTENTS

	PAGE
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT	4-5
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	6-17
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
District - Wide Financial Statements:	
Statement of Net Assets	A 19-20
Statement of Activities	B 21-24
Governmental Fund Financial Statements:	
Balance Sheet	C 25-26
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 27
Statement of Revenues, Expenditures and Changes in Fund Balances	E 28-31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 32
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 33
Statement of Revenues, Expenses and Changes in Net Assets	H 34
Statement of Cash Flows	I 35-36
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 37
Notes to Financial Statements	38-52
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	54-55
Notes to Required Supplementary Information - Budgetary Reporting	56
OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Nonmajor Funds:	
Combining Balance Sheet	1 58-59
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 60-61
Schedule of Changes in Individual Student Activity Accounts	3 62-63
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4 64
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5 65
Schedule of Expenditures of Federal Awards.....	6 66-67
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	68-69

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 70-71**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 72-76

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS..... 77

STAFF 78

COLLEGE COMMUNITY SCHOOL DISTRICT

OFFICIALS

June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Randy Bauer	President	2004
Norm Zahradnik	Board Member	2004
Kris Ruprecht	Board Member	2004
Shirley Exline	Board Member	2005
Mark Hunt	Board Member	2005
Lauri Hughes	Board Member	2006
Sandy Flatgard	Board Member	2006
(After September 2005 Election)		
Randy Bauer	President	2007
Greg Kelsey	Board Member	2008
Shirley Exline	Board Member	2008
Brian Farmer	Board Member	2007
Norm Zahradnik	Board Member	2007
Sandy Flatgard	Board Member	2006
Lauri Hughes	Board Member	2006
<u>School Officials</u>		
Richard Whitehead	Superintendent	2006
James A. Rotter, Jr.	District Secretary - Treasurer and Director of Business Services	Indefinite

Independent Auditor's Report

To the Board of Education of the
College Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the College Community School District, Cedar Rapids, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, business-type activities, each major fund, and the aggregate remaining fund information of the College Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of College Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 17 and 57 through 66 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise College Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 30, 2005

Management Discussion and Analysis

This section of the College Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Efforts have been made to provide comparison to prior year data when such data is available. Comparison to prior year data will be provided for all key financial information.

Financial Highlights

- The State of Iowa allowed a 2% growth for the 2004-05 school year. This increase, along with the addition of 145.5 resident students formulated an increase of revenue of \$835,362 in the General Fund. The 145.5 student increase represents a 3.9% increase in the District's resident enrollment.
- The District completed two new building projects during the year. The construction/renovation of the Bus Garage and Buildings and Grounds building was moved into in July and the Visitor Concession stand/Restroom Facility was opened in September at a combined cost of \$2.55 million.
- The General Fund ending fund balance decreased from \$3.3 mil. on June 30, 2004 to \$2.97 mil. on June 30, 2005. This equates to a 12.15% solvency ratio which is slightly down from a 13.00% ratio one year ago.
- Interest rates climbed slightly during the course of the year from a public fund investment rate of .90% in July, 2004 to 1.25% in June, 2005. These rates yielded \$72,455 in revenue compared to the meager \$28,875 in 2003-04.
- The District conducted and completed in the months of January through August, 2005 the mandatory account conversions across all funds as directed by the State. The conversion affected all account dimensions and will require new learning by all staff. The changes will make it difficult to conduct specific account comparisons of previous years to the current.

Overview of the Financial Statements

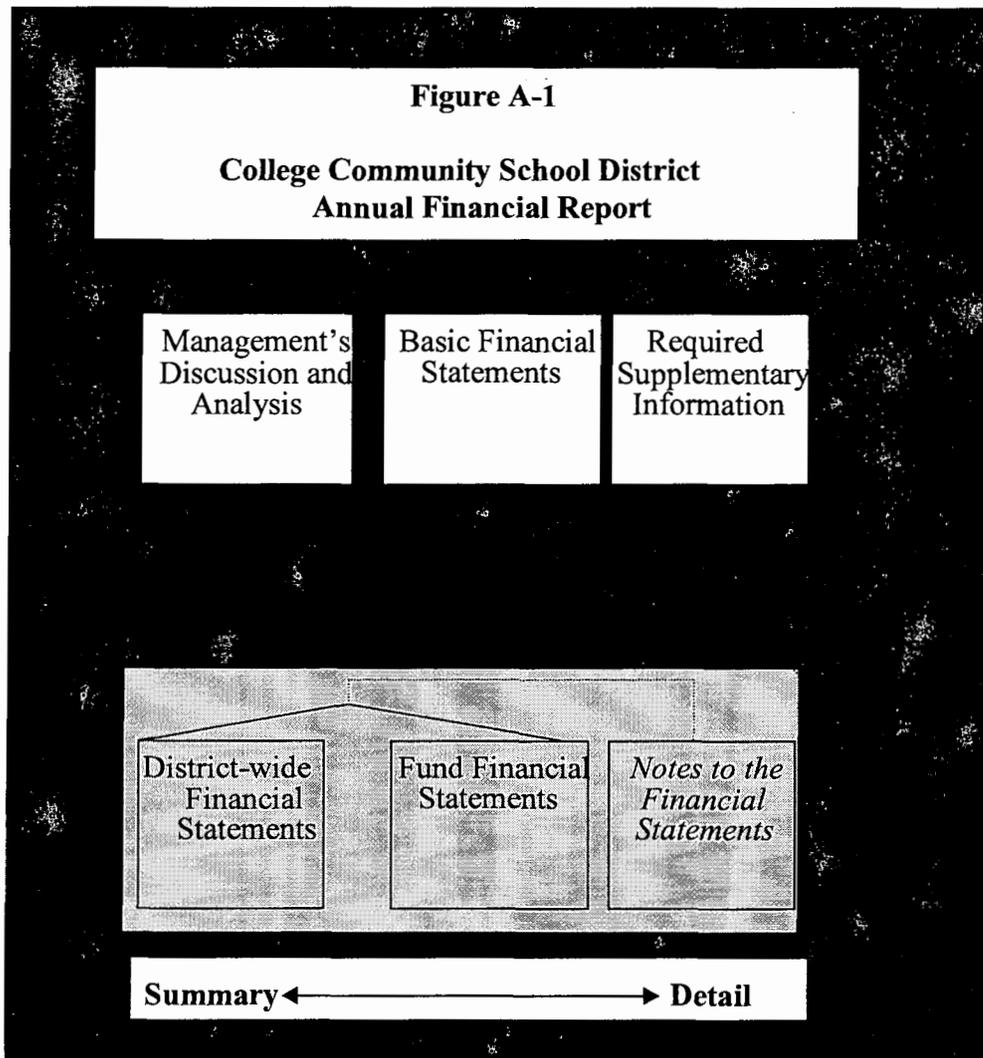
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as food services.

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.



District-Wide Financial Statements

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues, (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District utilizes a print shop fund for this purpose.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets; The District's net assets are evidenced below in Figure A-3. *Combined* total assets have decreased by .1 % or \$112,000 while combined total liabilities have decreased 1.2 % or \$711,000. Fiscal year 2004-2005 marks the 3rd year of District implementation of the GASB-34 financial reporting model.

Figure A-3

**CONDENSED STATEMENT OF NET ASSETS
EXPRESSED IN THOUSANDS**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2005	2004	2005	2004	2005	2004	2004-2005
CURRENT AND OTHER ASSETS	\$22,228	\$21,813	\$ 243	\$ 302	\$22,471	\$22,115	1.6%
CAPITAL ASSETS	55,104	55,505	470	537	55,574	56,042	-0.8%
TOTAL ASSETS	77,332	77,318	713	839	78,045	78,157	-0.1%
LONG-TERM OBLIGATIONS	36,750	38,295	-	-	36,750	38,295	-4.0%
OTHER LIABILITIES	20,093	19,162	87	95	20,180	19,257	4.8%
TOTAL LIABILITIES	56,843	57,457	87	95	56,930	57,552	-1.1%
NET ASSETS:							
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	17,254	16,768	470	537	17,724	17,305	2.4%
RESTRICTED	469	373	-	-	469	373	25.7%
UNRESTRICTED	2,766	2,720	156	207	2,922	2,297	0.2%
TOTAL NET ASSETS	20,489	19,861	626	744	21,115	20,605	2.5%

Figure A-4 below reflects totals from the 2004-05 fiscal year ending June 30, 2005.

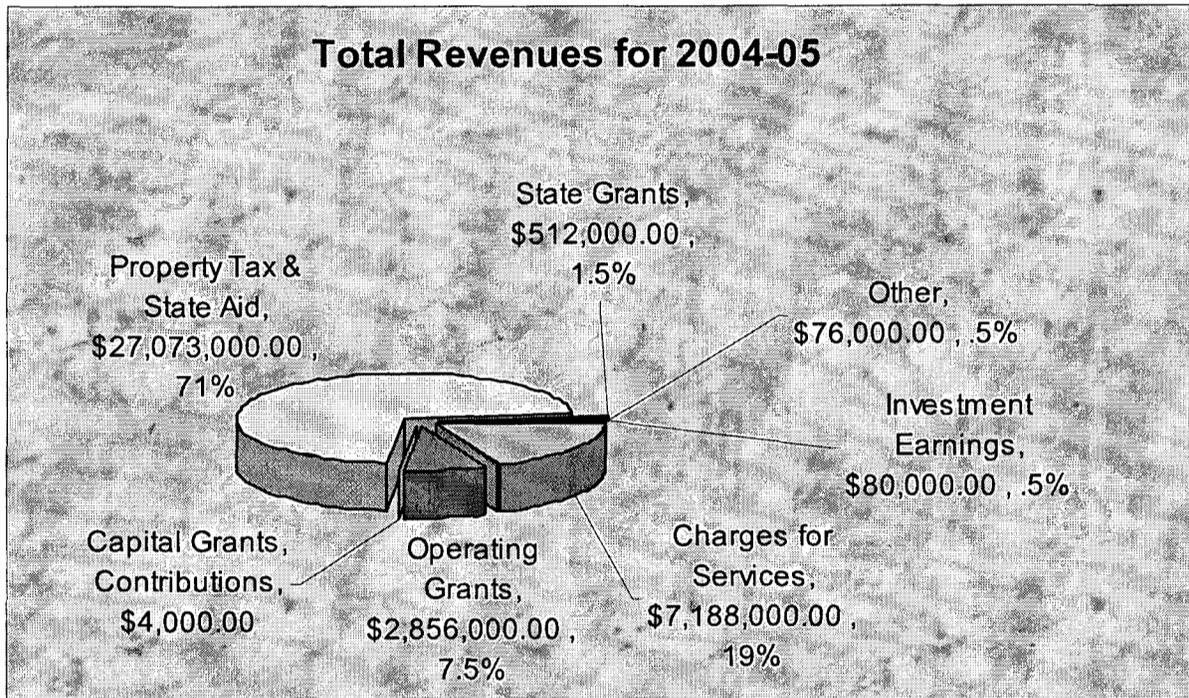
Figure A-4

**CHANGES IN NET ASSETS
(EXPRESSED IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for service and sales	\$ 4,965	\$ 4,473	\$ 2,432	\$ 2,067	\$ 7,397	\$ 6,540
Operating grants, contributions, and restricted interest	2,325	2,112	531	497	2,856	2,609
Capital grants, contributions, and restricted interest	4	68	-	-	4	68
General Revenues:						
Property tax	27,073	24,474	-	-	27,073	24,474
Unrestricted state grants	300	267	3	-	303	267
Unrestricted investment earnings	80	33	-	2	80	35
Other	76	38	-	-	76	38
Total revenues	<u>34,823</u>	<u>31,465</u>	<u>2,996</u>	<u>2,566</u>	<u>37,789</u>	<u>34,031</u>
Program Expenses:						
Governmental activities:						
Instruction	20,579	19,690	-	-	20,579	19,690
Support services	9,538	8,791	-	-	9,538	8,791
Non-instructional programs	-	-	3,084	2,675	3,084	2,675
Other expenses	4,079	4,161	-	-	4,079	4,161
Total expenses	<u>34,196</u>	<u>32,642</u>	<u>3,084</u>	<u>2,675</u>	<u>37,280</u>	<u>35,317</u>
Capital contribution	-	-	-	177	-	177
Change in net assets	<u>\$ 627</u>	<u>\$ (1,177)</u>	<u>\$ (118)</u>	<u>\$ 68</u>	<u>\$ 509</u>	<u>\$ (1,286)</u>

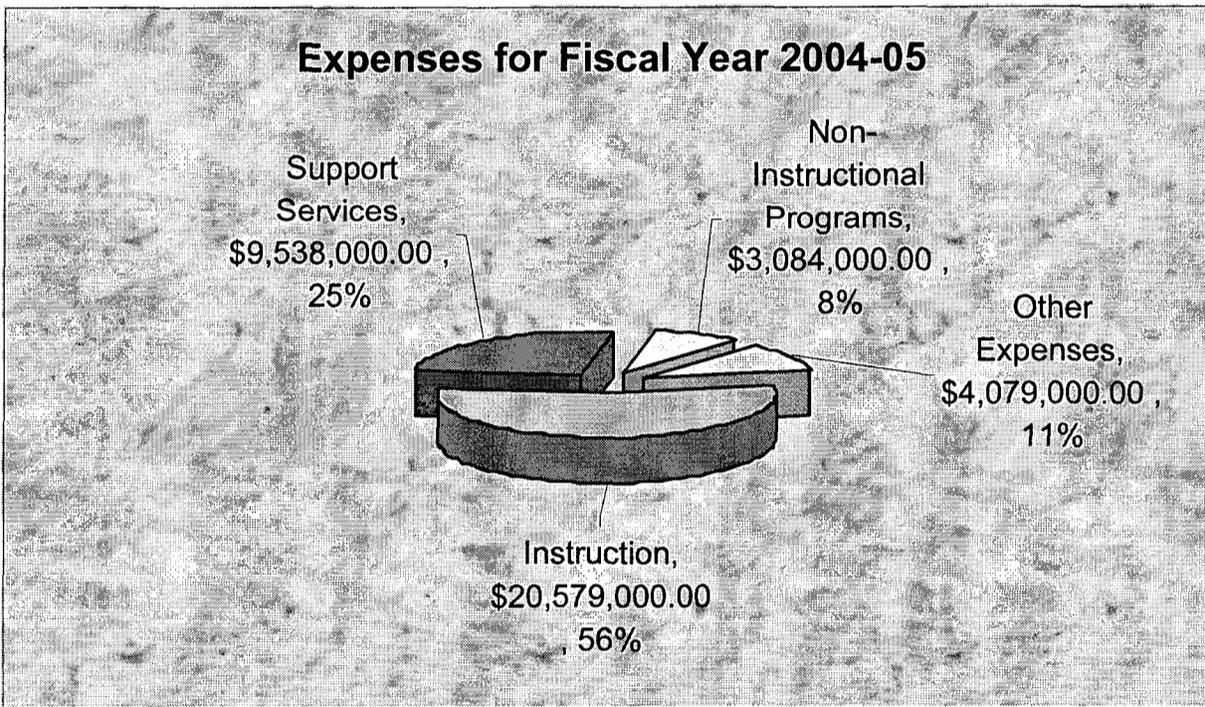
The Districts Total Revenues were up \$3.76 Million from the previous year while Total Expenditures increased \$1.87 Million. Total Net Assets of the District increased \$509,000. This increase is attributed to the Districts Governmental Activities which had \$34.8 Million in Revenues and \$34.1 Million in Expenditures. Both Program and General Revenues increased in the Governmental Activities compared to a year ago with Open Enrolled in and Tuition in dollars having a significant role on revenues generated by the District. During the 2002-03 school year Open Enrollment and Tuition in generated \$3,342,244, in 2003-04 it generated \$3,284,466, in 2004-05 the district collected \$3,516,543. The Business Activities had growth in both the Revenue and Expenditures with a resulting decrease of \$118,000 in Net Assets. This trend is discussed further in the "Financial Analysis of Funds" section later in this report. Increased program expenses are primarily attributed to the Districts commitment to lower class size with total FTE of staff growth from 244.28 in 2001-02 to 279.74 at the end of the 2004-05 school year.

Total Revenues for 2004-05



The chart above illustrates total Revenues for the 2004-05 school year. As evident by the chart, the largest portion of district dollars comes from Property Tax & State Aid. The chart below illustrates total Expenses which indicates the greatest portion of dollars are spent on Instruction and Support Services. The "Other Expenses" category is larger than might be expected. The primary factors for these expenses are Long Term Debt, Depreciation, & Capital Projects.

Expenses for Fiscal Year 2004-05



Governmental Activities

The District continues to experience increases in the overall property tax base (Taxable Valuation) from \$915,998,574 in 1996 to \$1,222,733,878 in 2003. This 33% increase over the seven year period averages to 4.78% per year. The increase from 2003 to 2004 was 4.02%.

The overall District tax rate increased 2.57% from a total levy of \$14.73 per thousand in the 2003-2004 year to a total levy of \$15.11 in the 2004-2005 school year. The increase can be attributed to increased enrollment of 145 students as this directly affects the state foundation formula. The District continued to work on lowering it's levy rate by taking advantage of favorable interest rates in the Bond Advanced Refunding market. Two issues at a value of \$5.8 million and \$4.6 million were refunded during the 2004-05 fiscal year. Refunding, along with payment of interest and principle lowered the Districts Debt levy \$.1039 cents per thousand.

Figure A-5 presents the cost of three District activities: Instruction, Support Services, and Other Expenses. The table shows each activity's *net cost*, (total costs less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES (EXPRESSED IN THOUSANDS)

Figure A-5

	<u>TOTAL COST OF SERVICES</u>	<u>NET COST OF SERVICES</u>
INSTRUCTION	\$ 20,579	\$ 14,636
SUPPORT SERVICES	9,538	9,176
OTHER EXPENSES	4,079	3,089
TOTALS	<u>\$ 34,196</u>	<u>\$ 26,901</u>

- The cost of all governmental activities this year was \$34.1 million compared to \$32.6 million a year ago.
- Some of the cost was financed by the users of the District's programs, (\$4.97 million), (\$4.47 million) was collected a year ago for the same services.
- The federal and state governments subsidized certain programs with grants and contributions of \$2.63 million. This is slightly more than the \$2.45 million last year.
- Most of the District's costs, (\$26.5 million), were financed by District and state taxpayers. These costs totaled \$25.7 million a year ago. This portion of governmental activities was financed with \$11.7 million in local property taxes & \$14.8 million in unrestricted state aid.

Business-Type Activities

Revenues of the District's business-type activities were \$2.96 million while expenses were \$3.08 million. (Refer to Figure A-4.) Although these activities are not in place to make a profit, they are organized and structured to operate at a revenue/expenditure neutral position. The additional cost above expenditures can be attributed to increased employee cost and the District's efforts to contain cost for the families served. At the present time, the two main funds that make up the Business Type Activities are the Food and Nutrition Fund and the Daycare Fund.

Financial Analysis of the District's Funds

Business-Type Fund Highlights

- The Food and Nutrition Fund balance decreased from \$534,272 to \$428,399 over the past fiscal year. The decrease in fund balance is due to additional cost associated with the operation of an additional kitchen and additional employee costs due to insurance and wage increases. The District minimized the cost increases by raising student lunch prices by \$.05 per day which was the first increase since the 1999-2000 school year. Currently, the program has equipment valued at \$969,982 with total accumulated depreciation of \$553,671.
- The Daycare Fund balance declined slightly from \$112,645, to \$90,355. The slight decline indicates that it may be necessary to look at a fee increase and/or additional opportunities to generate the revenue necessary to maintain the fiscally sound position of the program.

Governmental Fund Highlights

Overall, the District's Governmental Fund combined fund balances decreased slightly from \$4.7 million in fiscal year 2004 to \$4.2 million for fiscal year 2005. A closer look at each individual Governmental Fund reveals the following:

- The Capital Projects Fund balance decreased from a balance of \$612,335 to \$219,823 as expenditures were finalized for the New Buildings and Grounds/Transportation Garage Project Concession stand project. The fund balance may increase again this upcoming year if a bond issue is successfully passed and bonds are sold.
- The Management Fund balance increased slightly from \$342,660 to \$348,582. The District pays for it's liability, property, fleet, workers compensation insurance, and early separation programs out of the Management Fund. The result of a relatively large number of small value claims and the state wide experience multiplier continue to increase the Workers Compensation premium. Local property taxes have been increased (\$.07 per thousand) in fiscal year 2005-06 to compensate for the additional costs of the insurance programs.
- The Physical Plant and Equipment Levy, (PEEL) Fund balance increased from \$82,036 to \$133,070. PEEL fund dollars were utilized to buy 4 new busses, make payment on the \$2.3 million Capital Loan Note, purchase \$206,000 in Technology and complete \$275,000 in general maintenance projects. Included was an electronic upgrade to the District's security system. A portion of the maintenance project dollars was utilized to pay for the asbestos removal and carpet project at Prairie Heights Elementary. Additionally, the District utilized the PEEL Fund to purchase 39 acres adjacent to the current campus with a Capital Loan Note and subsequent payments coming from the Benton County SILO Fund. With its current assessed valuation base, the district is able to generate approximately \$1.2 million annually.
- The "Other" Governmental Funds balance (the Activity Fund), increased from \$291,613 to \$315,703 from the previous fiscal year. The primary activity in this fund includes the Athletic account which has generated increased revenue through Family Passes and Activity Tickets the past three years.
- The General Fund balance decreased from \$3.30 million to \$2.97 million during the fiscal year. This fund will need to increase as the District positions itself to open a new building in the next 2-3 years pending the successful passage of a bond issue.

General Fund Budgetary Highlights

Of all Governmental Funds, the General Fund is by far the largest, comprising 83 percent of all Governmental Fund expenses in the fiscal year. Other large funds include the Physical Plant and Equipment Fund and the Debt Service Fund which make up 3.5% and 9.8%, respectively, of all Governmental Fund Expenses.

The General Fund Expenditures are updated monthly to monitor expenditures and reflect any changes in staffing and non-staffing costs. A comparison of General Fund budgeted to actual expenditures shows actual expenditures of \$28.44 million which was significantly less than the original budgeted line item amount of \$30.03 million approved at the October meeting.

The General Fund balance at year-end was 12.2% of fund expenditures, slightly down from 12.3% a year ago. This remains a healthy balance to provide for any unexpected emergencies. The Board of Education has supported action to insure District General Fund cash reserves are adequate utilizing local property taxes as necessary to fund the growth of the district. This will need to continue as the District positions itself for the possibility of an additional building within the next 2-3 years.

Capital Asset and Debt Administration

Capital Assets

By the end of 2005, the District had invested net of depreciation, \$55.5 million in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) This amount represents a net decrease of \$468,000 from a year ago. The slight decrease is due to the depreciation of buildings and equipment and minor adjustments to the depreciation schedule as a new, uniformly applied, depreciation data base was utilized.

Excluding depreciation, the District has \$77.7 million in capital assets. Governmental funds account for all of these assets with the exception of \$1.2 million which is accounted for in the Food and Nutritional Fund, Print Shop Fund, and Student Built House Fund.

The biggest change in comparing fiscal year 2005 with the previous year is in the construction in progress category. The significant decrease in construction in progress is due to the completion of the Buildings and Grounds/Concession projects.

Figure A-6

CAPITAL ASSETS, NET OF DEPRECIATION (EXPRESSED IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES		BUSINESS- TYPE ACTIVITIES		TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2005	2004	2005	2004	2005	2004	2004-2005
LAND	\$ 472	\$ 472	\$ -	\$ -	\$472	\$472	0.0%
CONSTRUCTION IN PROGRESS	1,080	3,230	-	-	1,080	3,230	-66.6%
BUILDINGS	49,701	48,088	-	-	49,701	48,088	3.4%
IMPROVEMENTS OTHER THAN BUILDINGS	2,310	2,395	-	-	2,310	2,395	-3.5%
FURNITURE AND EQUIPMENT	1,541	1,320	470	537	2,011	1,857	8.3%
TOTALS	\$55,104	\$55,505	\$470	\$537	\$55,574	\$56,042	-0.8%

Long-Term Debt

At year-end, the District had \$38.8 million in general obligation bonds and other long-term debt outstanding. This represents a decrease of \$1.5 million over the previous fiscal year as can be seen in Figure A-7 below.

Figure A-7

**OUTSTANDING
LONG-TERM
OBLIGATIONS
(EXPRESSED IN THOUSANDS)**

	TOTAL SCHOOL DISTRICT		TOTAL CHANGE
	2005	2004	2005- 2004
GENERAL OBLIGATION BONDS	\$36,020	\$37,050	-2.8%
NOTES PAYABLE	2,050	2,300	-10.9%
EARLY RETIREMENT	641	902	-28.9%
COMPENSATED ABSENCES	123	117	5.1%
	<u>\$38,834</u>	<u>\$40,369</u>	<u>-3.8%</u>

Changes in the Debt Schedule are primarily due to the payment on general obligation bonds. The District has also advanced refunding all but one of its issues to take advantage of lower interest rates which has resulted in the reduction of the District's Debt Levy from \$2.81 in 2002-2003 to \$2.40 in the current fiscal year. This has also positioned the District to assume additional debt as necessary to complete essential Capital Projects to accommodate growth.

Factors Bearing on the District's Future

- Fiscal year 2005-06 saw only a slight increase in the cost of the District's Health Insurance Plan. This was welcome news as the previous 3 years each included double digit increases despite marked changes in the selection of policy's and the richness of each plan. Although this trend has slowed, it remains a significant and ongoing concern for the District as Health Care costs continue to rise. Currently, the district provides single coverage insurance or an "opt out" dollar amount to all full time employees at a cost of \$2.07 million. The District belongs to the Metro Interagency Insurance Program (MIIP) which includes the metro area K-12 Districts, Grant Wood AEA and Kirkwood Community College. The District will need to be open minded to the possibility of new health care insurance products as they become available and prove to be effective in cost containment without significantly changing benefits for employees.
- State funding growth for public schools for fiscal year 2005-06 was a reasonable 4% with projected increased funding for the 2006-2007 year at an additional 4%. At the time of this report, it is hopeful that the state will be able to provide the increases necessary and promised as the cost of operating local school districts continues to rise. It continues to be this District's understanding that the State Legislators are seeking input for the purpose of changing the state funding formula. This is a factor that the College Community School District will monitor and provide feedback as the session progresses.

- Additional funding for infrastructure needs could be realized through a local option sales tax in Linn and Johnson Counties. Unfortunately, these two counties have held out and the additional penny tax has never been approved. There has been a long standing discussion with local government agencies to implement a “shared penny” in Linn County which could result in a projected \$1.3 Million to the District. These dollars would be welcome for the purchase of land, construction and repair of buildings, and lowering the current debt levy.
- District enrollment increased in fiscal year 2002-2003 by 112 students, 110 students in 2003-2004, 149 students in 2004-05, and 130 students in the current fiscal year. These increases represent 3.5% , 3.3%, 3.9%, and 3.7% increases respectively. Under Iowa’s school funding formula, District funding is highly dependant upon District enrollments. Given the above mentioned increases it has become essential to Levy for on-time funding to cover the additional costs associated with the increased enrollment. Projections indicate the District will continue to grow by an average 3.5% per year for the next 8-10 years. The District is utilizing a Facility Planning Committee which made a recommendation to the Board for the construction of an additional “upper” middle school building. The Board called for an election in March, 2005 which was narrowly defeated with 59.79% approval, just short of the super majority 60% necessary. The Citizens Advisory Committee is planning to resubmit their proposal in November for a vote scheduled in January, 2006. If approved, the District will need to position itself financially for the additional costs associated with staffing and operating a new facility.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability of the money it receives. If you have questions about this report or need additional financial information, contact James Rotter Jr., Executive Director of Business Services, College Community School District, 401 76th Avenue SW, Cedar Rapids, Iowa 52404.

FINANCIAL STATEMENTS

COLLEGE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,503,542	\$ 208,876	\$ 4,712,418
Receivables:			
Property tax:			
Delinquent	202,155	-	202,155
Succeeding year	15,821,596	-	15,821,596
Accounts	107,176	12,095	119,271
Accrued interest	1,407	105	1,512
Due from other governments	1,490,370	-	1,490,370
Inventories	1,151	21,529	22,680
Prepaid expenses	2,982	-	2,982
Notes receivable	97,755	-	97,755
Capital assets, net of accumulated depreciation	<u>55,103,899</u>	<u>470,133</u>	<u>55,574,032</u>
Total assets	<u>77,332,033</u>	<u>712,738</u>	<u>78,044,771</u>
LIABILITIES			
Accounts payable	122,894	19,948	142,842
Accrued expenses	898,452	25,118	923,570
Salaries and benefits payable	364,488	41,756	406,244
Due to other governments	792,458	-	792,458
Accrued interest payable	131,780	-	131,780
Deferred revenue - succeeding year property tax	15,821,596	-	15,821,596
Long-term liabilities:			
Portion due within one year:			
Bonds payable	1,565,000	-	1,565,000
Notes payable	320,000	-	320,000
Early retirement	90,902	-	90,902
Portion due after one year:			
Bonds payable	34,455,000	-	34,455,000
Notes payable	1,730,000	-	1,730,000
Early retirement	<u>550,462</u>	<u>-</u>	<u>550,462</u>
Total liabilities	<u>56,843,032</u>	<u>86,822</u>	<u>56,929,854</u>

Exhibit A

NET ASSETS	Governmental Activities	Business-type Activities	Total
Invested in capital assets, net of related debt	17,253,722	470,133	17,723,855
Restricted for:			
Physical plant and equipment levy	133,070	-	133,070
Other special revenue purposes	315,703	-	315,703
Debt service	20,599	-	20,599
Unrestricted	<u>2,765,907</u>	<u>155,783</u>	<u>2,921,690</u>
TOTAL NET ASSETS	<u>\$ 20,489,001</u>	<u>\$ 625,916</u>	<u>\$ 21,114,917</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT
Statement of Activities
June 30, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 12,119,487	\$ 1,869,687	\$ 704,862	\$ -
Special instruction	6,404,184	1,821,076	164,427	-
Other instruction	<u>2,055,635</u>	<u>1,201,342</u>	<u>181,936</u>	<u>-</u>
	<u>20,579,306</u>	<u>4,892,105</u>	<u>1,051,225</u>	<u>-</u>
Support services:				
Student services	997,383	-	224,780	-
Instructional staff services	2,034,106	-	28,600	-
Administration services	2,935,947	-	-	-
Operation and maintenance of plant services	2,020,742	69,026	12,552	-
Transportation services	<u>1,548,723</u>	<u>4,292</u>	<u>21,416</u>	<u>-</u>
	<u>9,536,901</u>	<u>73,318</u>	<u>287,348</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	4,226
Long-term debt interest	2,072,137	-	34,104	-
AEA flowthrough	952,080	-	952,080	-
Loss on disposal of assets	8,026	-	-	-
Depreciation (unallocated)	<u>1,046,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,079,073</u>	<u>-</u>	<u>986,184</u>	<u>4,226</u>
Total governmental activities	<u>34,195,280</u>	<u>4,965,423</u>	<u>2,324,757</u>	<u>4,226</u>
Business-type activities:				
Non-instructional programs:				
Nutrition services	1,609,743	1,027,428	475,814	-
Daycare services	1,025,803	919,610	55,221	-
Concession services	104,690	111,304	-	-
Print services	148,060	164,066	-	-
Student built house	<u>195,471</u>	<u>209,555</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,083,767</u>	<u>2,431,963</u>	<u>531,035</u>	<u>-</u>
Total	<u>\$ 37,279,047</u>	<u>\$ 7,397,386</u>	<u>\$ 2,855,792</u>	<u>\$ 4,226</u>

**Net (Expense) Revenue
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (9,544,938)	\$ -	\$ (9,544,938)
(4,418,681)	-	(4,418,681)
(672,357)	-	(672,357)
<u>(14,635,976)</u>	<u>-</u>	<u>(14,635,976)</u>
(772,603)	-	(772,603)
(2,005,506)	-	(2,005,506)
(2,935,947)	-	(2,935,947)
(1,939,164)	-	(1,939,164)
(1,523,015)	-	(1,523,015)
<u>(9,176,235)</u>	<u>-</u>	<u>(9,176,235)</u>
4,226	-	4,226
(2,038,033)	-	(2,038,033)
-	-	-
(8,026)	-	(8,026)
(1,046,830)	-	(1,046,830)
<u>(3,088,663)</u>	<u>-</u>	<u>(3,088,663)</u>
<u>(26,900,874)</u>	<u>-</u>	<u>(26,900,874)</u>
-	(106,501)	(106,501)
-	(50,972)	(50,972)
-	6,614	6,614
-	16,006	16,006
-	14,084	14,084
<u>-</u>	<u>(120,769)</u>	<u>(120,769)</u>
<u>(26,900,874)</u>	<u>(120,769)</u>	<u>(27,021,643)</u>

(continued)

COLLEGE COMMUNITY SCHOOL DISTRICT
Statement of Activities
June 30, 2005

		Program Revenues	
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
GENERAL REVENUES:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total general revenues			
 Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-type Activities	Total
22,641,916	-	22,641,916
3,194,679	-	3,194,679
1,235,939	-	1,235,939
299,942	2,915	302,857
79,935	-	79,935
<u>75,914</u>	<u>-</u>	<u>75,914</u>
<u>27,528,325</u>	<u>2,915</u>	<u>27,531,240</u>
627,451	(117,854)	509,597
<u>19,861,550</u>	<u>743,770</u>	<u>20,605,320</u>
<u>\$ 20,489,001</u>	<u>\$ 625,916</u>	<u>\$ 21,114,917</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2005

	<u>General</u>	<u>Special Revenue- Management</u>	<u>Debt Service</u>
ASSETS			
Cash and pooled investments	\$ 3,314,904	\$ 435,373	\$ 128,392
Receivables:			
Property tax:			
Delinquent	143,494	7,521	36,567
Succeeding year	11,125,474	646,346	2,860,579
Accounts	32,318	-	-
Accrued interest	360	69	242
Due from other governments	1,490,370	-	-
Inventories		1,151	-
Prepaid expenses	2,982	-	-
Notes receivable	<u>97,755</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$16,208,808</u>	<u>\$ 1,089,309</u>	<u>\$ 3,025,780</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 60,149	\$ 3,479	\$ 12,822
Accrued expenses	898,452	-	-
Salaries and benefits payable	364,488	90,902	-
Excess of warrants issued over bank balance	-	-	-
Due to other governments	792,458	-	-
Deferred revenue-succeeding year property tax	<u>11,125,474</u>	<u>646,346</u>	<u>2,860,579</u>
Total liabilities	<u>13,241,021</u>	<u>740,727</u>	<u>2,873,401</u>
Fund balances:			
Reserved for:			
Debt service	-	-	152,379
Unreserved	<u>2,967,787</u>	<u>348,582</u>	<u>-</u>
Total fund balances	<u>2,967,787</u>	<u>348,582</u>	<u>152,379</u>
Total liabilities and fund balances	<u>\$16,208,808</u>	<u>\$ 1,089,309</u>	<u>\$ 3,025,780</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 624,873	\$ 4,503,542
14,573	202,155
1,189,197	15,821,596
74,858	107,176
736	1,407
-	1,490,370
-	1,151
-	2,982
-	97,755
<u>\$1,904,237</u>	<u>\$22,228,134</u>
\$ 46,444	\$ 122,894
-	898,452
-	455,390
-	-
-	792,458
<u>1,189,197</u>	<u>15,821,596</u>
<u>1,235,641</u>	<u>18,090,790</u>
-	152,379
<u>668,596</u>	<u>3,984,965</u>
<u>668,596</u>	<u>4,137,344</u>
<u>\$1,904,237</u>	<u>\$22,228,134</u>

This financial statement should be read only in connection with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Exhibit D

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets**

June 30, 2005

Total fund balances of governmental funds (page 26)	\$ 4,137,344
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	55,103,899
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.	(131,780)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(38,620,462)</u>
Net assets of governmental activities (page 20)	<u>\$ 20,489,001</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2005

	<u>General</u>	<u>Special Revenue- Management</u>	<u>Debt Service</u>
Revenues:			
Local sources:			
Local tax	\$ 11,726,352	\$ 614,930	\$ 3,099,234
Tuition	3,668,389	-	-
Other	550,180	10,485	128,524
State sources	11,994,819	228	1,024
Federal sources	<u>680,771</u>	<u>-</u>	<u>-</u>
Total revenues	<u>28,620,511</u>	<u>625,643</u>	<u>3,228,782</u>
Expenditures:			
Instruction:			
Regular instruction	11,850,828	263,282	-
Special instruction	6,368,809	14,748	-
Other instruction	<u>1,144,249</u>	<u>1,770</u>	<u>-</u>
	<u>19,363,886</u>	<u>279,800</u>	<u>-</u>
Support services:			
Student services	997,383	-	-
Instructional staff services	1,798,298	-	-
Administrative services	2,519,419	223,755	-
Operation and maintenance of plant services	2,336,629	46,515	-
Transportation services	<u>986,634</u>	<u>69,651</u>	<u>-</u>
	<u>8,638,363</u>	<u>339,921</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	12,340,000
Interest and fiscal charges	-	-	2,084,467
Long-term debt issuance costs	-	-	120,200
AEA flowthrough	<u>952,080</u>	<u>-</u>	<u>-</u>
	<u>952,080</u>	<u>-</u>	<u>14,544,667</u>
Total expenditures	<u>28,954,329</u>	<u>619,721</u>	<u>14,544,667</u>
Excess (deficiency) of revenues over (under) expenditures	(333,818)	5,922	(11,315,885)

<u>Nonmajor</u>	<u>Total</u>
\$ 1,381,517	\$ 16,822,033
-	3,668,389
965,870	1,655,059
408	11,996,479
-	680,771
<u>2,347,795</u>	<u>34,822,731</u>
-	12,114,110
-	6,383,557
880,936	2,026,955
<u>880,936</u>	<u>20,524,622</u>
-	997,383
206,120	2,004,418
581	2,743,755
326,162	2,709,306
273,541	1,329,826
<u>806,404</u>	<u>9,784,688</u>
619,704	619,704
-	12,340,000
-	2,084,467
-	120,200
-	952,080
<u>619,704</u>	<u>16,116,451</u>
<u>2,307,044</u>	<u>46,425,761</u>
40,751	(11,603,030)

(continued)

COLLEGE COMMUNITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2005

	General	Special Revenue- Management	Debt Service
Other financing sources (uses):			
Operating transfers in	-	-	358,140
Operating transfers out	-	-	-
Refunding bonds issued	-	-	<u>11,060,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,418,140</u>
Net change in fund balances	(333,818)	5,922	102,255
Fund balances beginning of year	<u>3,301,605</u>	<u>342,660</u>	<u>50,124</u>
Fund balances end of year	<u>\$ 2,967,787</u>	<u>\$ 348,582</u>	<u>\$ 152,379</u>

<u>Nonmajor</u>	<u>Total</u>
-	358,140
(358,140)	(358,140)
<u>-</u>	<u>11,060,000</u>
<u>(358,140)</u>	<u>11,060,000</u>
(317,389)	(543,030)
<u>985,985</u>	<u>4,680,374</u>
<u>\$ 668,596</u>	<u>\$ 4,137,344</u>

This financial statement should be read only in connection with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Exhibit F

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities**

Year Ended June 30, 2005

Net change in fund balances - total governmental funds (page 31) \$ (543,030)

*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, these costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as a depreciation expense in the Statement of Activities. The amounts of capital outlays, depreciation expense and loss on disposition of assets in the year are as follows:

Capital outlays	\$ 1,310,914	
Depreciation expense	(1,704,374)	
Loss on dispositions	<u>(8,026)</u>	(401,486)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 12,340,000

Some expenses in the Statement of Activities differ from the amount reported in the governmental funds because they are recorded as an expenditure in the funds when due. In the Statement of Activities, they are recognized as the expense accrues, regardless of when it is due.

Interest on long-term debt	\$ 132,530	
Early retirement	<u>159,437</u>	291,967

Proceeds on the issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets. (11,060,000)

Change in net assets of governmental activities (page 24) \$ 627,451

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets

Proprietary Funds

Year Ended June 30, 2005

Assets	Nonmajor Funds
Cash and cash equivalents	\$ 208,876
Accounts receivable	12,095
Accrued interest receivable	105
Inventories	21,529
Capital assets, net of accumulated depreciation	<u>470,133</u>
Total assets	<u>712,738</u>
Liabilities	
Accounts payable	19,948
Accrued expenses	25,118
Salaries and benefits payable	<u>41,756</u>
Total liabilities	<u>86,822</u>
Net Assets	
Invested in capital assets, net of related debt	470,133
Unrestricted	<u>155,783</u>
Total net assets	<u>\$ 625,916</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2005

	Nonmajor Funds
Operating revenues:	
Local sources:	
Charges for services	\$ 2,432,174
State sources	<u>55,221</u>
Total operating revenues	<u>2,487,395</u>
Operating expenses:	
Non-instructional programs:	
Salaries	1,262,336
Benefits	243,914
Purchased services	76,310
Supplies	1,316,013
Depreciation	88,775
Other	<u>96,420</u>
Total operating expenses	<u>3,083,768</u>
Operating loss	<u>(596,373)</u>
Nonoperating revenues:	
Local sources	2,705
State sources	17,093
Federal sources	<u>458,721</u>
Total nonoperating revenues	<u>478,519</u>
Net loss	(117,854)
Net assets, beginning of year	<u>743,770</u>
Net assets, end of year	<u>\$ 625,916</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2005

	<u>Nonmajor Funds</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,027,055
Cash received from day care activities	974,685
Cash received from printing	164,066
Cash received from concession sales	111,304
Cash received from student-built house	207,250
Cash payments to employees for services	(1,499,986)
Cash payments to suppliers for good or services	<u>(1,425,842)</u>
Net cash used in operating activities	<u>(441,468)</u>
Cash flows from non-capital financing activities:	
State grants received	17,093
Federal grants received	<u>382,501</u>
Net cash provided by non-capital financing activities	<u>399,594</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(21,715)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,864</u>
Net decrease in cash and cash equivalents	(60,725)
Cash, beginning of year	<u>269,601</u>
Cash, end of year	<u>\$ 208,876</u>

(continued)

COLLEGE COMMUNITY SCHOOL DISTRICT**Exhibit I****Statement of Cash Flows****Proprietary Funds****Year Ended June 30, 2005**

	<u>Nonmajor Funds</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (596,373)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	76,010
Depreciation	88,775
Decrease in inventories	1,214
Increase in accounts receivable	(2,824)
Decrease in prepaid expenses	375
Decrease in accounts payable	(17,504)
Increase in salaries and benefits payable	6,264
Increase in accrued expenses	<u>2,595</u>
Net cash used in operating activities	<u>\$ (441,468)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$76,220 of federal commodities.

This financial statement should be read only in connection with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Exhibit J

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	<u>Agency</u>
Assets	
Cash	\$134,368
Receivables:	
Accrued interest	<u>2,256</u>
Total assets	<u>\$136,624</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 5,767
Other payables	130,857
Net Assets	<u>-</u>
Total liabilities and net assets	<u>\$136,624</u>

This financial statement should be read only in connection
with the accompanying notes to financial statements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The College 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the southern portion of Cedar Rapids, Iowa and the rural areas of southern Linn, northern Johnson and eastern Benton counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

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

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 that are attributed 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.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(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 that are imposed by management, but 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

Management Fund - The Management Fund is used to account for the payment of District insurance costs and early separation benefits.

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

The District's proprietary funds are the School Nutrition, Daycare, Resale, Student-Built House, and Print Shop Funds. These funds are used to account for business activities of the District.

The Agency Funds are used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

The District maintains its financial records on the modified accrual basis.

D. Assets, Liabilities and Fund Equity

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, they have a maturity date no longer than three months.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 1/2% per month penalty for delinquent payment; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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. 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.

Furniture and equipment:

School Nutrition Fund equipment	\$	500
Other furniture and equipment		1,000

No threshold exists for land, buildings, or improvements.

Property, furniture, and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5 years
Computers	3 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year have been paid as of June 30, 2005.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the Management Fund.

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

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

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. Budgeting and Budgetary Control

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

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$3,598,062</u>

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated AAA by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ 358,140

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

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 471,782	\$ -	\$ -	\$ 471,782
Construction in progress	<u>3,229,898</u>	<u>564,372</u>	<u>2,714,308</u>	<u>1,079,962</u>
Total capital assets not being depreciated	<u>3,701,680</u>	<u>564,372</u>	<u>2,714,308</u>	<u>1,551,744</u>
Capital assets being depreciated:				
Buildings	59,831,568	2,800,708	27,893	62,604,383
Improvements other than buildings	2,853,289	85,892	-	2,939,181
Furniture and equipment	<u>9,178,585</u>	<u>574,250</u>	<u>167,971</u>	<u>9,584,864</u>
Total capital assets being depreciated	<u>71,863,442</u>	<u>3,460,850</u>	<u>195,864</u>	<u>75,128,428</u>
Less accumulated depreciation for:				
Buildings	11,744,357	1,180,943	22,406	12,902,894
Improvements other than buildings	457,814	171,911	-	629,725
Furniture and equipment	<u>7,857,566</u>	<u>351,520</u>	<u>165,432</u>	<u>8,043,654</u>
Total accumulated depreciation	<u>20,059,737</u>	<u>1,704,374</u>	<u>187,838</u>	<u>21,576,273</u>
Total capital assets being depreciated, net	<u>51,803,705</u>	<u>1,756,476</u>	<u>8,026</u>	<u>53,552,155</u>
Governmental activities capital assets, net	<u>\$55,505,385</u>	<u>\$ 2,320,848</u>	<u>\$ 2,722,334</u>	<u>\$55,103,899</u>
Business-Type Activities:				
Furniture and equipment	\$ 1,162,399	\$ 23,509	\$ 16,015	\$ 1,169,893
Less accumulated depreciation	<u>624,911</u>	<u>88,775</u>	<u>13,926</u>	<u>699,760</u>
Business-type activities capital assets, net	<u>\$ 537,488</u>	<u>\$ (65,266)</u>	<u>\$ 2,089</u>	<u>\$ 470,133</u>

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(4) Capital Assets (continued)

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 289,312
Special		20,627
Other		28,680
Support services:		
Instructional staff		29,688
Administration		67,694
Operation and maintenance of plant		2,646
Transportation		<u>218,897</u>
		657,544
Unallocated depreciation		<u>1,046,830</u>
		<u>\$ 1,704,374</u>
Business-type activities:		
Nutrition services		\$ 65,300
Student-built house		23,209
Print services		<u>266</u>
		<u>\$ 88,775</u>

(5) Long-term Debt

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$37,050,000	\$11,060,000	\$12,090,000	\$36,020,000	\$ 1,565,000
Notes payable	2,300,000	-	250,000	2,050,000	320,000
Early retirement	<u>901,547</u>	<u>147,025</u>	<u>407,208</u>	<u>641,364</u>	<u>90,902</u>
Total	<u>\$40,251,547</u>	<u>\$11,207,025</u>	<u>\$12,747,208</u>	<u>\$38,711,364</u>	<u>\$ 1,975,902</u>

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(4) Long-term Debt (continued)

A. Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees 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. Early retirement incentives are available for all employees except bus drivers and is based on classification of employee. Early retirement benefits paid during the year ended June 30, 2005 totaled \$407,208. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund.

B. Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of 2001</u>			<u>Bond Issue of 2002A</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2006	4.85%	\$ -	\$ 496,976	4.60%	\$ -	\$ 209,100
2007	4.85%	-	496,976	4.60%	-	209,100
2008	4.85%	-	496,976	4.60%	-	209,100
2009	4.85%	-	496,976	4.60%	-	209,100
2010	4.85%	-	496,976	4.60%	-	209,100
2011	4.85%	-	496,976	4.60%	-	209,100
2012	4.85%	-	496,976	4.60%	-	209,100
2013	4.85%	-	496,976	4.60%	1,100,000	209,100
2014	4.85%	-	496,976	4.63%	1,200,000	158,500
2015	4.85%	-	496,976	4.65%	1,300,000	103,000
2016	4.85%	100,000	496,976	4.65%	300,000	42,550
2017	4.90%	2,175,000	492,126	4.75%	400,000	28,600
2018	4.95%	1,400,000	385,550	4.80%	200,000	9,600
2019	5.00%	1,600,000	316,250	-	-	-
2020	5.00%	1,750,000	236,250	-	-	-
2021	5.00%	<u>2,975,000</u>	<u>148,750</u>	-	-	-
Total		\$ 10,000,000	\$ 7,045,662		\$ 4,500,000	\$ 2,015,050

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(5) Long-term Debt (continued)

B. Bonds Payable (continued)

Year Ending June 30,	Bond Issue of 2002B			Bond Issue of 2003A		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	3.50%	\$ 640,000	\$ 132,766	2.00%	\$ 465,000	\$ 112,970
2007	3.90%	675,000	110,366	2.00%	455,000	103,670
2008	3.90%	680,000	84,040	2.10%	445,000	94,570
2009	4.00%	700,000	57,520	2.50%	435,000	85,226
2010	4.10%	720,000	29,520	2.80%	425,000	74,350
2011	-	-	-	3.00%	1,015,000	62,450
2012	-	-	-	3.20%	1,000,000	32,000
Total		\$ 3,415,000	\$ 414,212		\$ 4,240,000	\$ 565,236

Year Ending June 30,	Bond Issue of 2003C			Bond Issue of 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2006	2.00%	\$ 25,000	\$ 99,850	2.25%	40,000	\$ 245,494
2007	2.00%	25,000	99,350	2.50%	45,000	244,594
2008	2.25%	25,000	98,850	3.00%	45,000	243,468
2009	2.50%	25,000	98,288	3.00%	45,000	242,118
2010	2.75%	25,000	97,664	3.00%	45,000	240,768
2011	2.90%	25,000	96,976	3.25%	45,000	239,418
2012	3.05%	25,000	96,250	3.38%	50,000	237,956
2013	3.25%	25,000	95,488	3.50%	1,050,000	236,268
2014	3.50%	30,000	94,676	3.63%	1,035,000	199,518
2015	3.50%	655,000	93,626	4.00%	395,000	162,000
2016	3.50%	2,020,000	70,700	4.00%	20,000	146,200
2017	-	-	-	4.00%	20,000	145,400
2018	-	-	-	4.00%	1,120,000	144,600
2019	-	-	-	4.10%	1,210,000	99,800
2020	-	-	-	4.20%	1,195,000	50,190
2021	-	-	-	-	-	-
Total		\$ 2,905,000	\$ 1,041,718		\$ 6,360,000	\$ 2,877,792

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(5) **Long-term Debt** (continued)

B. Bonds Payable (continued)

Year Ending June 30,	Bond Issue of 2005A			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2006	4.00%	\$ 395,000	\$ 195,975	\$ 1,565,000	\$ 1,493,131
2007	3.50%	510,000	140,980	1,710,000	1,405,036
2008	3.50%	535,000	123,130	1,730,000	1,350,134
2009	3.75%	615,000	104,406	1,820,000	1,293,634
2010	3.75%	660,000	81,342	1,875,000	1,229,720
2011	2.95%	900,000	56,592	1,985,000	1,161,512
2012	3.05%	985,000	30,042	2,060,000	1,102,324
2013	-	-	-	2,175,000	1,037,832
2014	-	-	-	2,265,000	949,670
2015	-	-	-	2,350,000	855,602
2016	-	-	-	2,440,000	756,426
2017	-	-	-	2,595,000	666,126
2018	-	-	-	2,720,000	539,750
2019	-	-	-	2,810,000	416,050
2020	-	-	-	2,945,000	286,440
2021	-	-	-	2,975,000	148,750
Total		\$ 4,600,000	\$ 732,467	\$ 36,020,000	\$ 14,692,137

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(5) Long-term Debt (continued)

C. Capital Loan Note Payable

The District has one capital loan outstanding to provide funds for construction projects. The note bears interest at 2.00% and is payable from the Capital Projects Funds. Details of the District's indebtedness under this agreement at June 30, 2005 is as follows:

Year Ending June 30,	Series 2003B	
	Principal	Interest
2006	\$ 320,000	\$ 369,070
2007	330,000	372,350
2008	340,000	375,420
2009	350,000	378,280
2010	355,000	374,880
2011	<u>355,000</u>	<u>365,296</u>
Total	\$ <u>2,050,000</u>	\$ <u>2,235,296</u>

During the year ended June 30, 2005, the District issued \$6,460,000 and \$4,600,000 in General Obligation Bonds with average interest rates of 3.4% and 3.5%, respectively, to refund \$3,500,000 of outstanding 2000 Series bonds, \$2,375,000 of outstanding 1999 Series bonds, and \$4,600,000 of outstanding 1998 Series bonds, with average interest rates of 5.40%, 5.20%, and 4.45%, respectively, prior to maturity. The net proceeds of \$11,062,617 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase certain direct obligations of the United States Government. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998, 1999, and 2000 Series bonds. As a result, the 1998, 1999, and 2000 Series bonds are considered to be in-substance defeased and the liability for those bonds has been removed from the District-wide financial statements. The District refunded the 1998, 1999, and 2000 Series bonds to reduce its total debt service payments over the next 15 years by approximately \$639,000 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$527,000.

(6) 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.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(6) Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$1,134,636, \$1,060,104 and \$964,825 respectively, equal to the required contributions for each year.

(7) Risk Management

College 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.

(8) 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 \$952,080 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Construction and Other Commitments

The District entered into various contracts totaling \$2,778,089 for additions to several facilities. As of June 30, 2005, costs of \$2,714,308 had been incurred on the contracts. The balance remaining at June 30, 2005 of \$63,781 will be paid when work on the projects progresses.

(10) Contingent Liability

The District has booked a contingent liability with the City of Cedar Rapids as of June 30, 2005 for \$509,412.

(11) New Pronouncements

As of June 30, 2005, the Governmental Accounting Standards Board had issued the following statements not yet implemented by the District. The statements, which might impact the District, are as follows:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the District beginning with its year ending June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manners.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(11) New Pronouncements (continued)

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB) and supercedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. This Statement requires governments to report any liability associated with providing employees benefits other than pensions subsequent to their employment with the District that have not been fully funded.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the District beginning with its year ending June 30, 2006. This Statement provides uniform accounting and reporting requirements on termination benefits in accrual basis financial statements.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGE COMMUNITY SCHOOL DISTRICT

**Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds**

Year Ended June 30, 2005

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Types <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Local sources	\$ 22,145,481	\$ 2,434,879	\$ 24,580,360
Intermediate sources	-	-	-
State sources	11,996,479	72,314	12,068,793
Federal sources	<u>680,771</u>	<u>458,721</u>	<u>1,139,492</u>
Total receipts	<u>34,822,731</u>	<u>2,965,914</u>	<u>37,788,645</u>
DISBURSEMENTS:			
Instruction	20,524,622	-	20,524,622
Support services	9,784,688	-	9,784,688
Other expenditures	<u>16,116,451</u>	<u>3,083,768</u>	<u>19,200,219</u>
Total disbursements	<u>46,425,761</u>	<u>3,083,768</u>	<u>49,509,529</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,603,030)	(117,854)	(11,720,884)
OTHER FINANCING SOURCES, NET	<u>11,060,000</u>	<u>-</u>	<u>11,060,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	(543,030)	(117,854)	(660,884)
BALANCES, BEGINNING OF YEAR	<u>4,680,374</u>	<u>743,770</u>	<u>5,424,144</u>
BALANCES, END OF YEAR	<u>\$ 4,137,344</u>	<u>\$ 625,916</u>	<u>\$ 4,763,260</u>

Budgeted Amounts		Final to Actual Variance-Positive/ (Negative)
Original	Final	
\$ 23,729,182	\$ 23,729,182	\$ 851,178
11,011	11,011	(11,011)
12,139,775	12,139,775	(70,982)
<u>856,647</u>	<u>856,647</u>	<u>282,845</u>
<u>36,736,615</u>	<u>36,736,615</u>	<u>1,052,030</u>
20,617,653	22,732,654	2,208,032
8,347,085	9,941,686	156,998
<u>9,109,444</u>	<u>21,079,677</u>	<u>1,879,458</u>
<u>38,074,182</u>	<u>53,754,017</u>	<u>4,244,488</u>
(1,337,567)	(17,017,402)	(5,296,518)
<u>-</u>	<u>-</u>	<u>(11,060,000)</u>
(1,337,567)	(17,017,402)	(16,356,518)
<u>6,333,950</u>	<u>6,333,950</u>	<u>909,806</u>
<u>\$ 4,996,383</u>	<u>\$(10,683,452)</u>	<u>\$(15,446,712)</u>

See accompanying independent auditor's report.

COLLEGE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information- Budgetary Reporting

Year Ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$15,679,835.

During the year ended June 30, 2005, no disbursements in the functional areas exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

COLLEGE COMMUNITY SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2005

	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects- Road/Sewer</u>
ASSETS			
Cash and pooled investments	\$ 330,006	\$ 150,062	\$ 64,534
Receivables:			
Property tax:			
Delinquent	-	14,573	-
Succeeding year	-	1,189,197	-
Accounts receivable	-	-	-
Accrued interest	<u>362</u>	<u>178</u>	<u>111</u>
Total assets	<u>\$ 330,368</u>	<u>\$ 1,354,010</u>	<u>\$ 64,645</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 14,665	\$ 31,743	\$ -
Deferred revenue-succeeding year property tax	<u>-</u>	<u>1,189,197</u>	<u>-</u>
Total liabilities	<u>14,665</u>	<u>1,220,940</u>	<u>-</u>
Fund Equity:			
Unreserved fund balances	<u>315,703</u>	<u>133,070</u>	<u>64,645</u>
Total liabilities and fund equity	<u>\$ 330,368</u>	<u>\$ 1,354,010</u>	<u>\$ 64,645</u>

Schedule 1

<u>Capital Projects- Elementary</u>	<u>Capital Projects- Benton Co. Silo</u>	<u>Total</u>
\$ 24,871	\$ 55,400	\$ 624,873
-	-	14,573
-	-	1,189,197
-	74,858	74,858
<u>27</u>	<u>58</u>	<u>736</u>
<u>\$ 24,898</u>	<u>\$ 130,316</u>	<u>\$ 1,904,237</u>
\$ 36	\$ -	\$ 46,444
<u>-</u>	<u>-</u>	<u>1,189,197</u>
<u>36</u>	<u>-</u>	<u>1,235,641</u>
<u>24,862</u>	<u>130,316</u>	<u>668,596</u>
<u>\$ 24,898</u>	<u>\$ 130,316</u>	<u>\$ 1,904,237</u>

See accompanying independent auditor's report.

COLLEGE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2005

	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects- Road/Sewer</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 1,243,658	\$ -
Other	905,026	12,552	47,245
State sources	<u>-</u>	<u>408</u>	<u>-</u>
Total revenues	<u>905,026</u>	<u>1,256,618</u>	<u>47,245</u>
Expenditures:			
Instruction:			
Other instruction	880,936	-	-
Support services:			
Instructional staff services	-	206,120	-
Administrative services	-	581	-
Operation and maintenance of plant services	-	326,162	-
Transportation services	-	273,541	-
Other expenditures:			
Facilities acquisition	<u>-</u>	<u>41,040</u>	<u>377,346</u>
Total expenditures	<u>880,936</u>	<u>847,444</u>	<u>377,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,090</u>	<u>409,174</u>	<u>(330,101)</u>
Other financing uses:			
Operating transfers out	<u>-</u>	<u>(358,140)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	24,090	51,034	(330,101)
Fund balances, beginning of year	<u>291,613</u>	<u>82,036</u>	<u>394,746</u>
Fund balances, end of year	<u>\$ 315,703</u>	<u>\$ 133,070</u>	<u>\$ 64,645</u>

Schedule 2

<u>Capital Projects- Elementary</u>	<u>Capital Projects- Benton Co. Silo</u>	<u>Total</u>
\$ -	\$ 137,859	\$ 1,381,517
782	265	965,870
<u>-</u>	<u>-</u>	<u>408</u>
<u>782</u>	<u>138,124</u>	<u>2,347,795</u>
-	-	880,936
-	-	206,120
-	-	581
-	-	326,162
-	-	273,541
<u>193,510</u>	<u>7,808</u>	<u>619,704</u>
<u>193,510</u>	<u>7,808</u>	<u>2,307,044</u>
<u>(192,728)</u>	<u>130,316</u>	<u>40,751</u>
<u>-</u>	<u>-</u>	<u>(358,140)</u>
(192,728)	130,316	(317,389)
<u>217,590</u>	<u>-</u>	<u>985,985</u>
<u>\$ 24,862</u>	<u>\$ 130,316</u>	<u>\$ 668,596</u>

See accompanying independent auditor's report.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2005

	<u>Balance, Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Student activity account:				
Athletic:				
General	\$ 67,491	\$ 84,001	\$ 107,919	\$ 43,573
Student clubs:				
Advisory	10,677	63,549	38,785	35,441
Co-curricular Activities:				
High school	1,284	1,903	2,502	685
Middle school	5,491	11,996	14,419	3,068
Prairie Crest	12,365	12,194	15,905	8,654
Prairie Heights	21,687	20,914	20,526	22,075
Prairie Ridge	1,263	11,366	8,583	4,046
Prairie View	19,091	11,722	8,569	22,244
Prairie Oaks	245	214	132	327
Student Council	12,533	13,246	11,787	13,992
Class of:				
2004	860	-	860	-
2005	5,044	-	721	4,323
2006	1,207	11,367	12,298	276
2007	336	1,518	354	1,500
Baseball Club	892	5,465	4,657	1,700
Softball Club	3,880	4,211	3,818	4,273
Productions - Theatrical	-	1,374	616	758
Performing Arts Club	1,026	659	456	1,229
Special Olympics	41	285	222	104
2003 Yearbook	5,826	22,113	7,806	20,133
2004 Yearbook	9,223	3,095	11,838	480
SADD Organization	140	-	-	140
Spring and Fall Plays	934	1,627	2,561	-
Student Club	3,607	851	398	4,060
German Club	1,274	3,378	-	4,652
Student Vending	97	19,530	17,608	2,019
Student Shake Break				
Account	4,647	-	835	3,812
Lettermen's Club	5,676	5,239	3,386	7,529
State Tournaments	4,793	9,753	12,445	2,101
Girls Track Club	294	2,074	2,327	41
Boys Track Club	4,209	7,136	7,456	3,889
Volleyball Club	8,204	18,111	19,607	6,708

(continued)

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2005

	<u>Balance, Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Student activity account (continued):				
Student clubs (continued):				
Art Activity	191	224	-	415
Competition Cheerleading	34	5,638	3,794	1,878
Instrumental Music	1,687	6,240	6,316	1,611
Cheerleading	10,726	11,125	20,629	1,222
Football Club	16,191	8,621	10,866	13,946
Business Prof./America	2,779	40,304	38,343	4,740
Boys Tennis Club	112	390	502	-
Girls Tennis Club	683	168	190	661
Thompson Activity	268	301	519	50
McWilliams Activity	2,142	2,240	2,602	1,780
Boys Soccer Club	1,295	6,553	3,448	4,400
Girls Soccer Club	-	3,578	3,162	416
Wrestling Club	16,938	26,043	34,552	8,429
Music Trip	24,832	264,057	257,200	31,689
SAVE	3,012	1,949	3,131	1,830
Prairie Dancers	12,419	35,528	35,844	12,103
Instrumental Activity	998	13,793	13,367	1,424
Hawk Talk - General	620	3,949	2,491	2,078
Electric Car Club	2,681	5,821	2,618	5,884
Washington Trip	4,170	54,001	54,001	4,170
Girls Basketball Club	714	11,437	10,807	1,344
Boys Basketball Club	1,821	9,095	7,578	3,338
Vocal Music	4,562	24,575	23,499	5,638
Musical	417	1,167	602	982
Video Club	36	-	-	36
National Honor Society	-	2,159	298	1,861
One and Two Act Plays	536	497	221	812
Girls Golf Club	294	851	1,032	113
Band Uniforms	(33,872)	12,000	-	(21,872)
Walsworth Activity	990	-	990	-
International Club	-	3,831	2,938	893
	<u>224,122</u>	<u>821,025</u>	<u>773,017</u>	<u>272,130</u>
Total	<u>\$ 291,613</u>	<u>\$ 905,026</u>	<u>\$ 880,936</u>	<u>\$ 315,703</u>

See accompanying independent auditor's report.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash	\$ 124,977	\$ 320,634	\$ 311,243	\$ 134,368
Accrued interest	<u>1,773</u>	<u>2,256</u>	<u>1,773</u>	<u>2,256</u>
Total assets	<u>\$ 126,750</u>	<u>\$ 322,890</u>	<u>\$ 313,016</u>	<u>\$ 136,624</u>
LIABILITIES				
Accounts payable	\$ 2,391	\$ 5,767	\$ 2,391	\$ 5,767
Other payables	<u>124,359</u>	<u>320,634</u>	<u>314,136</u>	<u>130,857</u>
Total liabilities	<u>\$ 126,750</u>	<u>\$ 326,401</u>	<u>\$ 316,527</u>	<u>\$ 136,624</u>

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function

All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$16,822,033	\$15,005,818	\$14,562,655	\$13,229,157
Tuition	3,668,389	3,434,496	3,651,132	3,544,752
Other	1,655,059	1,456,602	1,625,747	1,652,989
Intermediate sources	-	3,917	10,902	10,831
State sources	11,996,479	11,027,872	10,563,673	10,166,361
Federal sources	680,771	536,924	529,434	346,105
Total revenues	<u>\$34,822,731</u>	<u>\$31,465,629</u>	<u>\$30,943,543</u>	<u>\$28,950,195</u>
Expenditures:				
Instruction:				
Regular instruction	\$12,114,110	\$11,208,657	\$10,291,828	\$10,023,691
Special instruction	6,383,557	6,273,271	5,699,349	5,171,134
Other instruction	2,026,955	1,688,377	1,888,720	1,492,772
Support services:				
Student services	997,383	922,990	794,858	758,095
Instructional staff services	2,004,418	1,793,657	1,720,244	1,775,627
Administration services	2,743,755	2,170,023	1,983,994	1,828,100
Operation and maintenance of plant services	2,709,306	2,331,951	1,946,347	2,032,587
Transportation services	1,329,826	1,197,953	1,182,910	1,125,611
Other expenditures:				
Facilities acquisition	619,704	5,078,613	8,718,040	5,998,192
Long-term debt:				
Principal	12,340,000	1,760,000	8,550,000	8,590,000
Interest and other charges	2,204,667	1,685,228	2,694,993	2,047,881
AEA flowthrough	952,080	908,084	915,906	893,168
Total expenditures	<u>\$46,425,761</u>	<u>\$37,018,804</u>	<u>\$46,387,189</u>	<u>\$41,736,858</u>

See accompanying independent auditor's report.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule 6

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Indirect:		
Department of Agriculture:		
Iowa Department of Education:		
Food Distribution (non-cash)	10.550	\$ <u>76,221</u>
School Nutrition Cluster Programs:		
School Breakfast Program	10.553	53,984
National School Lunch Program	10.555	<u>328,515</u>
		<u>382,499</u>
Department of Education:		
Iowa Department of Education:		
Title I Grants to Local Educational Agencies	84.010	<u>271,456</u>
Improving Teacher Quality State Grants	84.367	<u>77,559</u>
Safe and Drug Free Schools	84.186	<u>15,027</u>
Education for Homeless Children and Youth	84.196	<u>25,000</u>
State Grants for Innovative Programs	84.298A	<u>13,257</u>
Grants for State Assessments and Related Activities	84.369	<u>22,110</u>
Grant Wood Area Education Agency:		
Special Education - Grants to States	84.027	
Idea Part B Flowthrough		<u>164,427</u>
Perkins Vocational Education Program	84.048A	<u>30,571</u>
Federal Medicaid Funds:		
Linn County DHRM:		
Medicaid Administration	93.778	13,222
Office of the Chief of Engineers:		
Johnson County:		
Payments to States in Lieu of Real Estate, (Flood Control Payments)	12.112	<u>12,552</u>
Total		<u>\$ 1,103,901</u>

(continued)

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of College Community School District and is presented in conformity with 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 accounts 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
College Community School District
Cedar Rapids, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the College Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered College Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to management of College Community School District in a separate letter dated November 18, 2005.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of College Community School District and other parties to whom College 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 College 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
September 30, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

To the Board of Education
College Community School District
Cedar Rapids, Iowa

Compliance

We have audited the compliance of College Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. College Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of College Community School District's management. Our responsibility is to express an opinion on College Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and 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 College Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on College Community School District's compliance with those requirements.

In our opinion, College Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items III-A-05 and III-B-05.

Internal Control Over Compliance

The management of College Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered College 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations 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 College Community School District and other parties to whom College 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.

Clifton Henderson LLP

Cedar Rapids, Iowa
September 30, 2005

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any non-compliance which is material to the financial statements.
- (c) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (d) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (e) Major programs were as follows:
 - Cluster programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 84.027 - Special Education - Grants to States
 - CFDA Number 10.550 - Food Distribution (non-cash)
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) College Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-compliance:

No matters were reported.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

Instance of Non-compliance:

**CFDA 10.553: School Breakfast Program and
CFDA 10.555: National School Lunch Program
Federal Award Year: 2005
U.S. Department of Agriculture
Passed through the Iowa Department of Education**

III-A-05: Verification Eligibility

Criteria:

Each school year, the District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The District must sample a minimum of 3% of the approved applications on file.

Condition:

The District did not perform the appropriate number of verifications required by the Child Nutrition Cluster federal program.

Questioned Cost:

None

Context:

During fieldwork, we received the verification form and noted the instructions indicated that the client should round up when calculating the minimum number to verify.

Effect:

The District had 879 applications on file and was required to verify at a minimum 27 applications.

Cause:

According to inquiries and review of documentation, the number to verify was rounded down to the nearest decimal instead of being rounded up as directed on the form.

Recommendation:

The District should contact the state to determine if additional verifications should be performed. We also recommend that a formal review checklist be created and filled out for future submissions.

Management Response and Corrective Action Plan:

The Nutrition Director has performed an additional verification and forwarded the results to the state. The Director will also create a review checklist to use in the future.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards: (continued)

III-B-05: Verification Documentation

Criteria:

Each school year, the District must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The District must summarize its findings in a report to the state and maintain all supporting documents on file for a minimum of three years.

Condition:

The documentation for one item selected for sampling of the verification could not be located by the District.

Questioned Cost:

None.

Context:

During fieldwork, we randomly selected 7 households out of a total population of 26 that were verified by the District. We compared household size and income to the income guidelines for the current year to determine if they still qualified for federal assistance.

Effect:

The District could not find supporting documentation on one verification performed. However, the original application was still on file.

Cause:

The household selected was on food stamps and was automatically eligible for free and reduced price meals. It is believed that during the review process the supporting document was lost.

Recommendation:

The Nutrition Director should contact the state to determine if additional verifications should be performed and closely monitor verification documentation in the future to ensure that they are properly maintained.

Management Response and Corrective Action Plan:

The Nutrition Director has performed an additional verification and forwarded the results to the state. The Director will review the verification procedures for compliance with federal requirements.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget - The District exceeded the budget in the other expenditures function before amending the budget.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-C-05 Questionable Disbursements - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-05 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-E-05 Business Transactions - No transactions requiring Board approval which had not been approved by the board were noted.
- IV-F-05 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-G-05 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-05 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-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

COLLEGE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

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

IV-K-05 Financial Condition - The Student Activity Fund had one significant deficit balance in the Band Uniforms Account at June 30, 2005.

Recommendation - The District should monitor this account and investigate alternatives to eliminate this deficit.

Response - We will work on this.

Conclusion - Response accepted.

COLLEGE COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Federal Audit Findings
Year Ended June 30, 2005

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation.</u>
III-A-04	Free Medical Benefits	Pending Completion	The District has calculated an over reimbursement total of \$43.60 and is waiting for verification, approval, and further instructions from the State.

COLLEGE COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Robert L. Poundstone, CPA, Partner

Justin Zimmerman, CPA, Associate

Michele Matt, CPA, Manager

Tim Wood, CPA, Senior Associate