

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	23
Notes to Financial Statements		24-33
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		34-35
Budgetary Comparison Schedule - Budget to GAAP Reconciliation		36
Notes to Required Supplementary Information - Budgetary Reporting		37
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	38-39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	40-41
Schedule of Changes in Special Revenue, Student Activity Accounts	3	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	4	43
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		44-45
Schedule of Findings		46-48

Coon Rapids-Bayard Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2004 Election)		
Mark Thomas	President	2006
Mike Oswald	Vice President	2004
Roger Tapps	Board Member	2005
Jim Schwaller	Board Member	2005
Allen Schroeder	Board Member	2005
Larry Nees	Board Member	2004
Pat McAlister	Board Member	2006
Board of Education		
(After September 2004 Election)		
Mark Thomas	President	2006
Mike Oswald	Vice President	2007
Roger Tapps	Board Member	2005
Jim Schwaller	Board Member	2005
Allen Schroeder	Board Member	2005
Larry Nees	Board Member	2007
Pat McAlister	Board Member	2006
School Officials		
Dennis E. Wentz	Superintendent	2005
Gail Hopkins	District Secretary	2005
Neu Minnich Comito & Neu and Engel Law Firm	District Attorney	2005

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District, Coon Rapids, Iowa, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

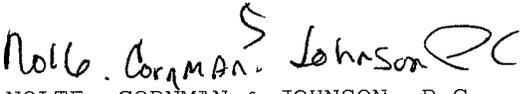
In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005 on our consideration of Coon Rapids-Bayard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 4 through 12 and 34 through 37 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coon Rapids-Bayard Community School District's basic financial statements. Another auditor 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 an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.


NOLTE, CORNMAN & JOHNSON, P.C.

November 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Coon Rapids-Bayard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,887,816 in fiscal year 2004 to \$4,112,431 in fiscal year 2005, while General Fund expenditures increased from \$3,941,495 in fiscal 2004 to \$4,022,523 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$270,496 in fiscal 2004 to \$360,513 in fiscal 2005, a 33.3% increase from prior year.
- September 2004 Certified Enrollment increased by 24.8 students; a 5% increase over the prior year.
- In February and March 2004, the voters of Audubon and Greene County passed a school infrastructure local option sales and service tax. The District will receive this 1% tax for 10 years; with collections starting on July 1, 2004 and ending June 30, 2014. At June 30, 2005, the District has received \$13,710 in local option sales and service tax monies.
- The School Nutrition fund balance increase 31.8%, or \$6,223, due to an increase in federal revenues received during the year.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

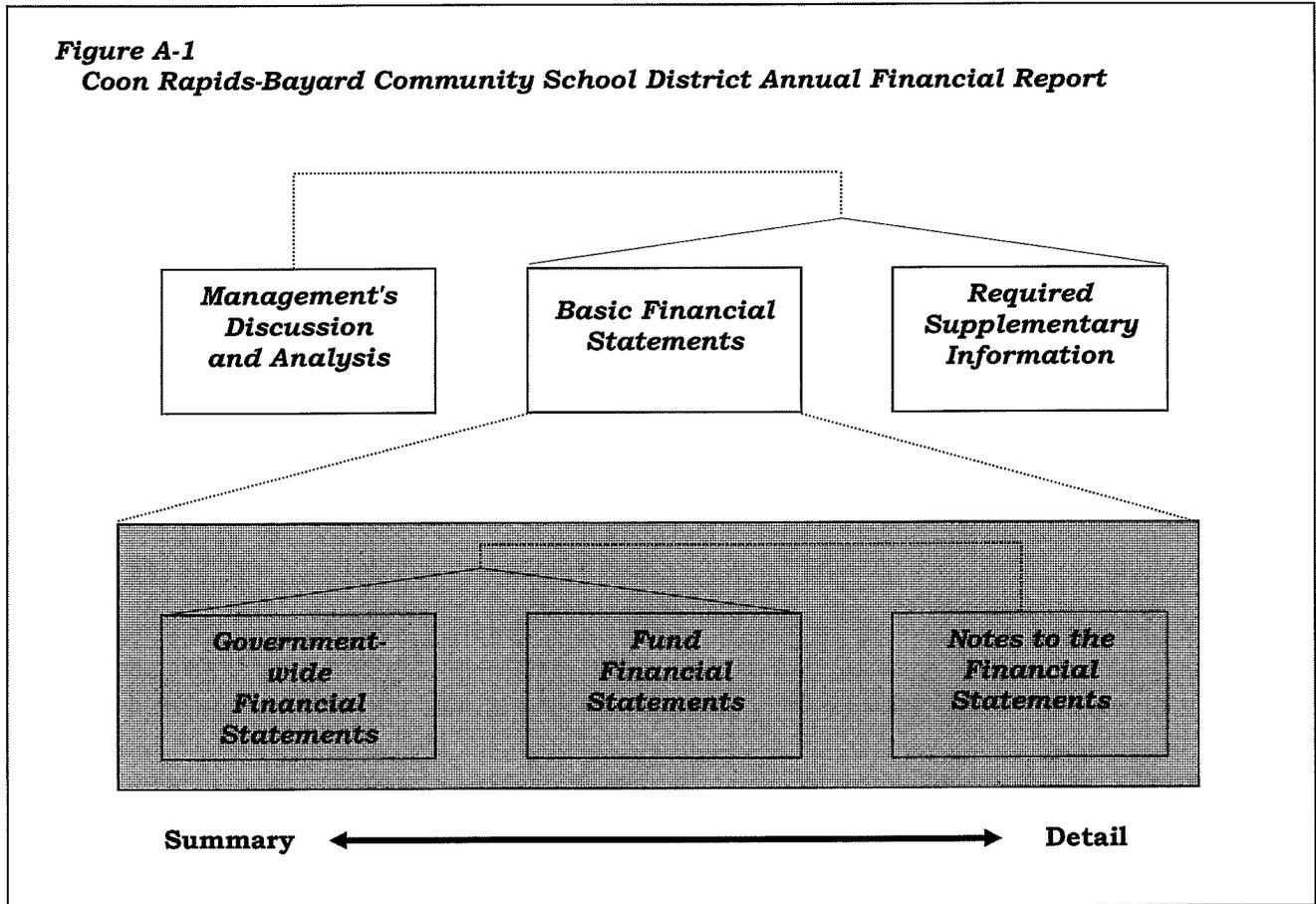


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund 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, e.g., food service	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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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 during the year or soon thereafter	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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial 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. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
	Current and other assets	\$ 3,622,689	3,650,494	\$ 22,563	10,556	\$ 3,645,252	3,661,050
Capital assets	3,494,150	3,578,972	13,987	17,702	3,508,137	3,596,674	-2.46%
Total assets	<u>7,116,839</u>	<u>7,229,466</u>	<u>36,550</u>	<u>28,258</u>	<u>7,153,389</u>	<u>7,257,724</u>	<u>-1.44%</u>
Long-term obligations	1,139,069	1,264,704	0	0	1,139,069	1,264,704	-9.93%
Other liabilities	3,005,058	3,120,247	10,738	8,669	3,015,796	3,128,916	-3.62%
Total liabilities	<u>4,144,127</u>	<u>4,384,951</u>	<u>10,738</u>	<u>8,669</u>	<u>4,154,865</u>	<u>4,393,620</u>	<u>-5.43%</u>
Net assets:							
Invested in capital assets, net of related debt	2,414,614	2,363,972	13,987	17,702	2,428,601	2,381,674	1.97%
Restricted	169,339	178,783	0	0	169,339	178,783	-5.28%
Unrestricted	388,759	301,760	11,825	1,887	400,584	303,647	31.92%
Total net assets	<u>\$ 2,972,712</u>	<u>2,844,515</u>	<u>\$ 25,812</u>	<u>19,589</u>	<u>\$ 2,998,524</u>	<u>2,864,104</u>	<u>4.69%</u>

The District's combined net assets increased by nearly 5% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately 5% over the prior year. The decrease was primarily a result of reclassifying the Physical Plant and Equipment Levy fund balance from prior year to the invested in capital assets line.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 32% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Revenues:							
Program revenues:							
Charges for services	\$ 302,509	307,307	\$ 111,482	113,760	413,991	421,067	-1.68%
Operating grants and contributions and restricted interest	527,555	523,341	107,437	91,991	634,992	615,332	3.20%
Capital grants and contributions and restricted interest	0	136,749	0	0	0	136,749	-100.00%
General revenues:							
Property tax	1,896,431	1,917,649	0	0	1,896,431	1,917,649	-1.11%
Local option sales and service tax	13,710	0	0	0	13,710	0	0.00%
Unrestricted state grants	1,806,775	1,635,220	0	0	1,806,775	1,635,220	10.49%
Other	108,010	67,980	90	33	108,100	68,013	58.94%
Total revenues	<u>4,654,990</u>	<u>4,588,246</u>	<u>219,009</u>	<u>205,784</u>	<u>4,873,999</u>	<u>4,794,030</u>	<u>1.67%</u>
Program expenses:							
Governmental activities:							
Instructional	2,871,264	2,834,200	0	0	2,871,264	2,834,200	1.31%
Support services	1,244,725	1,247,265	0	0	1,244,725	1,247,265	-0.20%
Non-instructional programs	0	0	212,786	207,592	212,786	207,592	2.50%
Other expenses	410,804	354,052	0	0	410,804	354,052	16.03%
Total expenses	<u>4,526,793</u>	<u>4,435,517</u>	<u>212,786</u>	<u>207,592</u>	<u>4,739,579</u>	<u>4,643,109</u>	<u>2.08%</u>
Change in net assets	128,197	152,729	6,223	(1,808)	134,420	150,921	-10.93%
Net assets beginning of year	<u>2,844,515</u>	<u>2,691,786</u>	<u>19,589</u>	<u>21,397</u>	<u>2,864,104</u>	<u>2,713,183</u>	<u>5.56%</u>
Net assets end of year	<u>\$ 2,972,712</u>	<u>2,844,515</u>	<u>\$ 25,812</u>	<u>19,589</u>	<u>2,998,524</u>	<u>2,864,104</u>	<u>4.69%</u>

Property tax, local option sales and services tax and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,654,990 and expenses were \$4,526,793.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,871,264	2,184,702
Support services	1,244,725	1,244,725
Other expenses	410,804	267,302
Totals	<u>\$ 4,526,793</u>	<u>3,696,729</u>

- The cost financed by users of the District's programs was \$302,509.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$527,555.
- The net cost of governmental activities was financed with \$1,896,431 in property tax, \$13,710 in local option sales and services tax, \$1,806,775 in unrestricted state revenues and \$34,426 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$219,009 and expenses were \$212,786. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Coon Rapids-Bayard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$544,204, above last year's ending fund balances of \$452,281. However, the primary reason for the increase is due to the controlled spending by the District in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position changed from \$270,496 to \$360,513. This was due to the controlled spending by the District. Expenditure for the year only increased \$81,028, while revenues increased \$224,615.
- The District started receiving local option sales and service tax from Audubon and Greene County, which resulted in the Capital Projects Fund having an ending fund balance of \$13,785.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance decreased to \$9,092 from the prior year. This is the result of receiving less in property tax monies and having to transfer funds to the Debt Service Fund to pay for the capital loan notes.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$19,589 at June 30, 2004 to \$25,812 at June 30, 2005, representing an increase of 31.8%. The increase in federal revenues helped offset the increase in costs of food supplies.

BUDGETARY HIGHLIGHTS

The District's revenues were \$206,674 more than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending

through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$3.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$170,015.

The original cost of the District's capital assets was \$7,583,463. Governmental funds account for \$7,540,226 with the remainder of \$43,237 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$2,871,629 at June 30, 2005 compared to \$2,963,278 the prior year. The decrease was the result of the depreciation taken on the building during the year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 162,873	162,873	\$ 0	0	\$ 162,873	162,873	0.00%
Buildings	2,871,629	2,963,278	0	0	2,871,629	2,963,278	-3.19%
Improvements other than buildings	325,609	322,068	0	0	325,609	322,068	1.09%
Machinery and equipment	134,039	130,753	13,987	17,702	148,026	148,455	-0.29%
Total	<u>\$ 3,494,150</u>	<u>3,578,972</u>	<u>\$ 13,987</u>	<u>17,702</u>	<u>\$ 3,508,137</u>	<u>3,596,674</u>	<u>-2.52%</u>

Long-Term Debt

At June 30, 2005, the District had \$1,139,069 in other long-term debt outstanding. This represents a decrease of 9.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At yearend, the District had total capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy of \$1,085,000.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$15,217 at June 30, 2005.

Compensated absences increased 1.4% from the prior year to an ending balance of \$38,852.

Figure A-7

	Outstanding Long-Term Obligations		
	Total School District		Total Change
	2005	2004	
Capital loan notes	\$ 1,085,000	1,215,000	-10.7%
Early retirement	15,217	11,379	33.7%
Compensated absences	38,852	38,325	1.4%
Totals	<u>\$ 1,139,069</u>	<u>1,264,704</u>	<u>-9.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Audubon and Greene County passed the Local Option Sales and Services in 2004. This 1 cent tax on sales and services will greatly benefit the District in maintaining their buildings, purchasing equipment and debt repayment.
- September 2005 Certified Enrollment had a drop of 41.8 students, unlike the previous year having an increase.
- In September 2005, the final two counties, Carroll and Guthrie, passed the local option sales and services tax effective January 1, 2006 for a ten year period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Hopkins, District Board Secretary, Coon Rapids-Bayard Community School District, 905 North Street, P.O. Box 297, Coon Rapids, Iowa, 50058-0297.

BASIC FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 929,083	0	929,083
Other	841,981	21,013	862,994
Receivables:			
Property tax:			
Delinquent	27,932	0	27,932
Succeeding year	1,696,012	0	1,696,012
Income surtax	77,224	0	77,224
Accounts	1,152	0	1,152
Due from other governments	49,305	0	49,305
Inventories	0	1,550	1,550
Capital assets, net of accumulated depreciation (Note 5)	3,494,150	13,987	3,508,137
TOTAL ASSETS	7,116,839	36,550	7,153,389
LIABILITIES			
Accounts payable	1,021	0	1,021
Salaries and benefits payable	370,747	7,977	378,724
Accrued interest payable	3,797	0	3,797
ISCAP warrants payable (Note 4)	926,000	0	926,000
ISCAP premiums payable	7,481	0	7,481
Deferred revenue:			
Succeeding year property tax	1,696,012	0	1,696,012
Other	0	2,761	2,761
Long-term liabilities (Note 6):			
Portion due within one year:			
Capital loan notes payable	135,000	0	135,000
Early retirement payable	15,217	0	15,217
Compensated absences payable	38,852	0	38,852
Portion due after one year:			
Capital loan notes payable	950,000	0	950,000
TOTAL LIABILITIES	4,144,127	10,738	4,154,865
NET ASSETS			
Investment in capital assets, net of related debt	2,414,614	13,987	2,428,601
Restricted for:			
Early intervention	8,238	0	8,238
Salary improvement program	1,888	0	1,888
Management levy	61,410	0	61,410
Capital projects	13,785	0	13,785
Other special revenue purposes	84,018	0	84,018
Unrestricted	388,759	11,825	400,584
TOTAL NET ASSETS	\$ 2,972,712	25,812	2,998,524

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2005

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,870,667	286,730	358,320
Special instruction	447,281	15,779	25,733
Other instruction	553,316	0	0
	<u>2,871,264</u>	<u>302,509</u>	<u>384,053</u>
Support services:			
Student services	150,235	0	0
Instructional staff services	132,911	0	0
Administration services	470,499	0	0
Operation and maintenance of plant services	361,632	0	0
Transportation services	129,448	0	0
	<u>1,244,725</u>	<u>0</u>	<u>0</u>
Other expenditures:			
Facilities acquisitions	95,430	0	0
Long-term debt interest	51,461	0	0
AEA flowthrough	143,502	0	143,502
Depreciation(unallocated)*	120,411	0	0
	<u>410,804</u>	<u>0</u>	<u>143,502</u>
Total governmental activities	4,526,793	302,509	527,555
Business-Type activities:			
Non-instructional programs:			
Nutrition services	212,786	111,482	107,437
Total business-type activities	<u>212,786</u>	<u>111,482</u>	<u>107,437</u>
Total	<u>\$ 4,739,579</u>	<u>413,991</u>	<u>634,992</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,225,617)	0	(1,225,617)
(405,769)	0	(405,769)
(553,316)	0	(553,316)
<u>(2,184,702)</u>	<u>0</u>	<u>(2,184,702)</u>
(150,235)	0	(150,235)
(132,911)	0	(132,911)
(470,499)	0	(470,499)
(361,632)	0	(361,632)
(129,448)	0	(129,448)
<u>(1,244,725)</u>	<u>0</u>	<u>(1,244,725)</u>
(95,430)	0	(95,430)
(51,461)	0	(51,461)
0	0	0
(120,411)	0	(120,411)
<u>(267,302)</u>	<u>0</u>	<u>(267,302)</u>
(3,696,729)	0	(3,696,729)
0	6,133	6,133
0	6,133	6,133
<u>(3,696,729)</u>	<u>6,133</u>	<u>(3,690,596)</u>
\$ 1,674,925	0	1,674,925
221,506	0	221,506
13,710	0	13,710
1,806,775	0	1,806,775
34,426	90	34,516
73,584	0	73,584
<u>3,824,926</u>	<u>90</u>	<u>3,825,016</u>
128,197	6,223	134,420
<u>2,844,515</u>	<u>19,589</u>	<u>2,864,104</u>
<u>\$ 2,972,712</u>	<u>25,812</u>	<u>2,998,524</u>

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 929,083	0	929,083
Other	668,289	173,692	841,981
Receivables:			
Property tax			
Delinquent	24,141	3,791	27,932
Succeeding year	1,403,904	292,108	1,696,012
Income surtax	77,224	0	77,224
Accounts	1,152	0	1,152
Due from other governments	43,097	6,208	49,305
TOTAL ASSETS	\$ 3,146,890	475,799	3,622,689
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,021	0	1,021
Salaries and benefits payable	370,747	0	370,747
ISCAP warrants payable (Note 4)	926,000	0	926,000
ISCAP premiums payable	7,481	0	7,481
Deferred revenue:			
Succeeding year property tax	1,403,904	292,108	1,696,012
Income surtax	77,224	0	77,224
Total liabilities	2,786,377	292,108	3,078,485
Fund balances:			
Reserved for:			
Early intervention	8,238	0	8,238
Salary improvement program	1,888	0	1,888
Debt service	0	169	169
Unreserved:			
General	350,387	0	350,387
Capital projects	0	13,785	13,785
Management levy	0	76,627	76,627
Physical plant and equipment levy	0	9,092	9,092
Other special revenue purposes	0	84,018	84,018
Total fund balances	360,513	183,691	544,204
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,146,890	475,799	3,622,689

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 16)	\$	544,204
 <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 in the governmental funds.		3,494,150
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		77,224
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.		(3,797)
Long-term liabilities, including revenue bonds payable, revenue bans payable, note payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,139,069)
		<hr style="width: 100%;"/>
Net assets of governmental activites (page 13)	\$	<u><u>2,972,712</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,629,998	271,436	1,901,434
Local option sales and service tax	0	13,710	13,710
Tuition	20,427	0	20,427
Other	127,874	188,634	316,508
State sources	2,131,136	198	2,131,334
Federal sources	202,996	0	202,996
Total revenues	<u>4,112,431</u>	<u>473,978</u>	<u>4,586,409</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	1,853,584	4,809	1,858,393
Special instruction	447,281	0	447,281
Other instruction	370,340	175,265	545,605
	<u>2,671,205</u>	<u>180,074</u>	<u>2,851,279</u>
Support services:			
Student services	121,411	28,824	150,235
Instructional staff services	129,518	0	129,518
Administration services	474,805	0	474,805
Operation and maintenance of plant services	336,943	17,114	354,057
Transportation services	145,139	10,480	155,619
	<u>1,207,816</u>	<u>56,418</u>	<u>1,264,234</u>
Non-instruction:			
Food service operations	0	2,570	2,570
Other expenditures:			
Facilities acquisitions	0	124,560	124,560
Long-term debt:			
Principal	0	130,000	130,000
Interest and fiscal charges	0	51,925	51,925
AEA flowthrough	143,502	0	143,502
	<u>143,502</u>	<u>306,485</u>	<u>449,987</u>
Total expenditures	<u>4,022,523</u>	<u>545,547</u>	<u>4,568,070</u>
Excess (deficiency) of revenues over (under) expenditures	89,908	(71,569)	18,339
Other financing sources (uses):			
Transfer in	0	181,925	181,925
Transfer out	0	(181,925)	(181,925)
Compensation for loss of fixed assets	109	73,475	73,584
Total other financing sources (uses)	<u>109</u>	<u>73,475</u>	<u>73,584</u>
Net change in fund balances	90,017	1,906	91,923
Fund balance beginning of year	<u>270,496</u>	<u>181,785</u>	<u>452,281</u>
Fund balance end of year	<u>\$ 360,513</u>	<u>183,691</u>	<u>544,204</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ 91,923

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 81,478	
Depreciation expense	(166,300)	(84,822)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (5,003)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (3,838)	
Compensated absences	(527)	(4,365)

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. 130,000

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

464

Changes in net assets of governmental activities (page 15) \$ 128,197

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2005

	<u>School</u> <u>Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 21,013
Inventories	1,550
Capital assets, net of accumulated depreciation (Note 5)	<u>13,987</u>
TOTAL ASSETS	<u>36,550</u>
LIABILITIES	
Salary and benefits payable	7,977
Deferred revenue:	
Other	<u>2,761</u>
TOTAL LIABILITIES	<u>10,738</u>
NET ASSETS	
Investment in capital assets, net of related debt	13,987
Unrestricted	<u>11,825</u>
Total net assets	<u>\$ 25,812</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 111,482
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	64,833
Benefits	13,923
Services	5,358
Supplies	124,957
Depreciation	3,715
TOTAL OPERATING EXPENSES	212,786
OPERATING LOSS	(101,304)
NON-OPERATING REVENUES:	
State sources	3,140
Federal sources	104,297
Interest income	90
TOTAL NON-OPERATING REVENUES	107,527
Changes in net assets	6,223
Net assets beginning of year	19,589
Net assets end of year	\$ 25,812

SEE NOTES TO FINANCIAL STATEMENTS.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 100,925
Cash received from miscellaneous operating activities	11,450
Cash payments to employees for services	(77,580)
Cash payments to suppliers for goods or services	(119,541)
Net cash used in operating activities	(84,746)
Cash flows from non-capital financing activities:	
State grants received	3,140
Federal grants received	92,700
Net cash provided by non-capital financing activities	95,840
Cash flows from investing activities:	
Interest on investment	90
Net cash provided by investing activities	90
Net increase in cash and cash equivalents	11,184
Cash and cash equivalents at beginning of year	9,829
Cash and cash equivalents at end of year	\$ 21,013
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (101,304)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,597
Depreciation	3,715
Increase in inventories	(823)
Increase in salaries and benefits payable	1,176
Increase in deferred revenue	893
Net cash used in operating activities	\$ (84,746)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 21,013

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$11,597.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 3,124</u>
LIABILITIES	
Due to other groups	<u><u>\$ 3,124</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Coon Rapids-Bayard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Coon Rapids and Bayard, Iowa, and the predominate agricultural territory in a portion of Audubon, Carroll, Greene and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Coon Rapids-Bayard 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 Coon Rapids-Bayard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset 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 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 government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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.

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

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

The Agency Fund is 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 operation.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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 the governmental funds 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 government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; 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.

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

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

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

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 government-wide financial statements. 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 General Fund.

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

Fund Equity - In the governmental fund financial statements, reservations of fund 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 government-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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District's has no investments as of June 30, 2005.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 181,925</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05B	1/28/05	1/27/06	\$ 663,913	0	662,000	0
2005-06A	6/28/05	6/28/06	265,170	0	264,000	0
Total			<u>\$ 929,083</u>	<u>0</u>	<u>926,000</u>	<u>0</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	200,000	200,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,873	0	0	162,873
Total capital assets not being depreciated	162,873	0	0	162,873
Capital assets being depreciated:				
Buildings	6,112,067	0	0	6,112,067
Land improvements	482,653	29,130	0	511,783
Machinery and equipment	701,155	52,348	0	753,503
Total capital assets being depreciated	7,295,875	81,478	0	7,377,353
Less accumulated depreciation for:				
Buildings	3,148,789	91,649	0	3,240,438
Land improvements	160,585	25,589	0	186,174
Machinery and equipment	570,402	49,062	0	619,464
Total accumulated depreciation	3,879,776	166,300	0	4,046,076
Total capital assets being depreciated, net	3,416,099	(84,822)	0	3,331,277
Governmental activities capital assets, net	\$ 3,578,972	(84,822)	0	3,494,150
Business-type activities:				
Machinery and equipment	\$ 43,237	0	0	43,237
Less accumulated depreciation	25,535	3,715	0	29,250
Business-type activities capital assets, net	\$ 17,702	(3,715)	0	13,987

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 25,137
Other		7,711
Support services:		
Operation and maintenance of plant		7,575
Transportation		5,466
		<u>45,889</u>
Unallocated depreciation		<u>120,411</u>
Total governmental activities depreciation expense		<u>\$ 166,300</u>
Business-type activities:		
Food services		<u>\$ 3,715</u>

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan notes	\$ 1,215,000	0	130,000	1,085,000	135,000
Early retirement	11,379	15,217	11,379	15,217	15,217
Compensated absences	38,325	2,820	2,293	38,852	38,852
Total	<u>\$ 1,264,704</u>	<u>18,037</u>	<u>143,672</u>	<u>1,139,069</u>	<u>189,069</u>

Capital Loan Notes Payable

The District issued \$400,000 of capital loan notes during the year ended June 30, 2000, for a fitness center and issued \$1,240,000 of capital loan notes during the year ended June 30, 2002 to finance a construction project. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	3.75 %	\$ 135,000	45,563	180,563
2007	4.00	140,000	40,500	180,500
2008	4.10	145,000	34,900	179,900
2009	4.20	160,000	28,955	188,955
2010	4.30	160,000	22,235	182,235
2011	4.40	170,000	15,355	185,355
2012	4.50	175,000	7,875	182,875
Total		<u>\$ 1,085,000</u>	<u>195,383</u>	<u>1,280,383</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of credited service, at least ten years of which have been in the employment of Coon Rapids-Bayard Community School District. Employees must

complete an application which is subject to be approval by the Board of Education. Early retirement incentives are based in the On base salary during the last year of employment and the number of years of credited services. Early retirement benefits paid during the year ended June 30, 2005, totaled \$11,379. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$136,726, \$136,591 and \$140,921 respectively, equal to the required contributions for each year.

(8) Risk Management

The 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$143,502 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,338,170	112,465
Intermediate sources	0	0
State sources	2,133,885	3,140
Federal sources	189,207	104,297
Total receipts	4,661,262	219,902
Disbursements:		
Instruction	2,989,863	0
Support services	1,210,205	0
Non-instructional programs	2,570	208,718
Other expenditures	449,987	0
Total disbursements	4,652,625	208,718
Excess(deficiency) of receipts over(under) disbursements	8,637	11,184
Other financing sources, net	73,584	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements and other financing uses	82,221	11,184
Balance beginning of year	759,760	9,829
Balance end of year	\$ 841,981	21,013

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,450,635	2,329,590	2,329,590	121,045
0	5,000	5,000	(5,000)
2,137,025	2,080,900	2,080,900	56,125
293,504	259,000	259,000	34,504
<u>4,881,164</u>	<u>4,674,490</u>	<u>4,674,490</u>	<u>206,674</u>
2,989,863	3,178,968	3,178,968	189,105
1,210,205	1,428,780	1,428,780	218,575
211,288	222,200	222,200	10,912
449,987	372,067	500,000	50,013
<u>4,861,343</u>	<u>5,202,015</u>	<u>5,329,948</u>	<u>468,605</u>
19,821	(527,525)	(655,458)	675,279
<u>73,584</u>	<u>0</u>	<u>0</u>	<u>73,584</u>
93,405	(527,525)	(655,458)	748,863
<u>769,589</u>	<u>558,403</u>	<u>558,403</u>	<u>211,186</u>
<u>862,994</u>	<u>30,878</u>	<u>(97,055)</u>	<u>960,049</u>

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 4,661,262	(74,853)	4,586,409
Expenditures	4,652,625	(84,555)	4,568,070
Net	8,637	9,702	18,339
Other financing sources	73,584	0	73,584
Beginning fund balances	759,760	(307,479)	452,281
Ending fund balances	\$ 841,981	(297,777)	544,204

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 219,902	(893)	219,009
Expenditures	208,718	4,068	212,786
Net	11,184	(4,961)	6,223
Beginning fund balances	9,829	9,760	19,589
Ending fund balances	\$ 21,013	4,799	25,812

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures in the other expenditures function by \$127,933.

OTHER SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2005

	Special Revenue Funds			
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Total Special Revenue
ASSETS				
Cash and pooled investments	\$ 75,846	6,082	84,018	165,946
Receivables:				
Property tax:				
Current year delinquent	781	3,010	0	3,791
Succeeding year	70,000	222,108	0	292,108
Due from other governments	0	0	0	0
TOTAL ASSETS	\$ 146,627	231,200	84,018	461,845
LIABILITIES AND FUND EQUITY				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 70,000	222,108	0	292,108
	70,000	222,108	0	292,108
Fund equity:				
Fund balances:				
Reserved:				
Debt service	0	0	0	0
Unreserved:				
Undesignated	76,627	9,092	84,018	169,737
Total fund balances	76,627	9,092	84,018	169,737
TOTAL LIABILITIES AND FUND EQUITY	\$ 146,627	231,200	84,018	461,845

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 1

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
7,577	169	173,692
0	0	3,791
0	0	292,108
6,208	0	6,208
<u>13,785</u>	<u>169</u>	<u>475,799</u>

<u>0</u>	<u>0</u>	<u>292,108</u>
<u>0</u>	<u>0</u>	<u>292,108</u>

0	169	169
<u>13,785</u>	<u>0</u>	<u>183,522</u>
<u>13,785</u>	<u>169</u>	<u>183,691</u>

<u>13,785</u>	<u>169</u>	<u>475,799</u>
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COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Total Special Revenue Funds
	Manage- ment	Physical Plant and Equipment Levy	Student Activity	
REVENUES:				
Local sources:				
Local tax	\$ 49,930	221,506	0	271,436
Local option sales and service tax	0	0	0	0
Other	1,133	1,698	185,653	188,484
Intermeidate sources	41	157	0	198
TOTAL REVENUES	51,104	223,361	185,653	460,118
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	4,809	0	0	4,809
Other instruction	0	0	175,265	175,265
Support services:				
Intstructional staff services	28,824	0	0	28,824
Operation and maintenance of plant services	17,114	0	0	17,114
Transportation services	10,480	0	0	10,480
Non-instruction:				
Food service operations	2,570	0	0	2,570
Other expenditures:				
Facilities acquisitions	0	124,560	0	124,560
Long-term debt:				
Principal	0	0	0	0
Interest and fiscal charges	0	0	0	0
TOTAL EXPENDITURES	63,797	124,560	175,265	363,622
Excess(deficiency) of revenues over(under) expenditures	(12,693)	98,801	10,388	96,496
OTHER FINANCING SOURCES(USES):				
Transfer in	0	0	0	0
Transfer out	0	(181,925)	0	(181,925)
Compensation for loss of fixed assets	0	73,475	0	73,475
TOTAL OTHER FINANCING SOURCES(USES)	0	(108,450)	0	(108,450)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(12,693)	(9,649)	10,388	(11,954)
FUND BALANCES BEGINNING OF YEAR	89,320	18,741	73,630	181,691
FUND BALANCES END OF YEAR	\$ 76,627	9,092	84,018	169,737

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Capital Projects	Debt Service	Total Other Nonmajor Governmental Funds
0	0	271,436
13,710	0	13,710
75	75	188,634
0	0	198
13,785	75	473,978
0	0	4,809
0	0	175,265
0	0	28,824
0	0	17,114
0	0	10,480
0	0	2,570
0	0	124,560
0	130,000	130,000
0	51,925	51,925
0	181,925	545,547
13,785	(181,850)	(71,569)
0	181,925	181,925
0	0	(181,925)
0	0	73,475
0	181,925	73,475
13,785	75	1,906
0	94	181,785
13,785	169	183,691

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Co-Ed athletics	\$ 2,480	51,368	46,596	7,252
Interest on investments	14,302	6,435	6,822	13,915
Mid/Jr High athletics	0	578	578	0
RIF club	926	400	608	718
Technology club	132	0	0	132
Elementary club	1,978	2,887	1,185	3,680
Kindergarten	120	0	120	0
MS cheerleaders	80	0	0	80
MS concessions	2,785	0	1,161	1,624
MS club	961	1,231	1,362	830
MS student council	152	111	86	177
Drama and speech	2,102	1,225	1,273	2,054
Cross country	33	486	486	33
Boys basketball	0	4,829	4,829	0
Football	112	5,538	4,204	1,446
boys track	182	0	0	182
Boys golf	81	0	0	81
Wrestling club	3,671	2,320	2,301	3,690
Wrestling	0	2,025	1,898	127
Girls basketball	1	613	613	1
Girls volleyball	1,127	1,370	2,111	386
Girls golf	0	220	0	220
Softball	102	2,403	2,505	0
Baseball	0	15,410	5,753	9,657
Art club	623	0	0	623
Pepsi products	4,986	12,377	13,332	4,031
Cheerleaders	1,357	1,673	3,030	0
Concessions	178	16,326	16,132	372
FFA	4,255	24,196	24,718	3,733
FCCLA	37	1,810	1,397	450
FCA	5	0	0	5
YSO	26	0	(75)	101
National honor society	0	717	681	36
Class of 2003	263	0	0	263
Class of 2004	860	100	956	4
Class of 2005	2,430	241	1,316	1,355
Class of 2006	2,622	5,040	7,236	426
Class of 2007	108	5,455	3,199	2,364
Student agendas	91	22	0	113
Sign fund	190	2,413	0	2,603
Spanish club	9,993	0	243	9,750
Student council	2,967	4,879	5,021	2,825
Band trip	5,050	6,219	8,958	2,311
Yearbook	5,989	4,736	4,630	6,095
Phone card	173	0	0	173
Flags/winterguard	100	0	0	100
Total	\$ 73,630	185,653	175,265	84,018

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 1,915,144	1,918,584	1,867,173	1,966,905
Tuition	20,427	18,031	36,885	65,129
Other	316,508	325,357	263,571	283,190
Intermediate sources	0	6,492	6,492	13,693
State sources	2,131,334	1,960,238	2,043,338	2,113,016
Federal sources	202,996	328,065	268,646	165,893
Total	<u>\$ 4,586,409</u>	<u>4,556,767</u>	<u>4,486,105</u>	<u>4,607,826</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,858,393	1,741,905	1,756,303	1,814,354
Special instruction	447,281	655,031	599,485	502,543
Other instruction	545,605	438,463	469,666	445,833
Support services:				
Student services	150,235	122,554	128,680	130,549
Instructional staff services	129,518	146,768	157,872	163,114
Administration services	474,805	436,758	426,683	446,140
Operation and maintenance of plant services	354,057	358,371	419,585	364,807
Transportation services	155,619	160,239	170,763	165,625
Central support services	0	0	0	14,926
Non-instructional programs	2,570	0	0	10,059
Other expenditures:				
Facilities acquisition	124,560	293,538	1,416,938	304,922
Long-term debt:				
Principal	130,000	125,000	115,000	65,000
Interest and other charges	51,925	56,838	65,660	13,670
AEA flowthrough	143,502	145,759	158,147	159,799
Total	<u>\$ 4,568,070</u>	<u>4,681,224</u>	<u>5,884,782</u>	<u>4,601,341</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard 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 November 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coon Rapids-Bayard 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coon Rapids-Bayard 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain

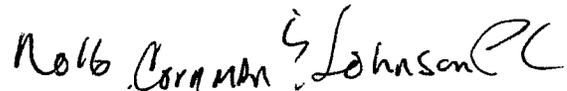
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immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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 Coon Rapids-Bayard Community School District and other parties to Coon Rapids-Bayard 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 Coon Rapids-Bayard 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.


NOLTE, CORNMAN & JOHNSON, P.C.

November 29, 2005

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Segregation of duties will be reviewed and modifications made, if possible.

Conclusion - Response accepted.

I-B-05 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will strive to be more diligent in coding all bills.

Conclusion - Response accepted.

I-C-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We have already implemented this procedure for tournaments, but will strive to implement it for all gates.

Conclusion - Response accepted.

I-D-05 Student Activity Fund Accounts - We noted during our audit that the District had balances left in the interest and old class accounts.

Recommendation - Interest should be allocated out among the Student Activity accounts at year end. Upon graduation, class account should be closed out after a reasonable amount of time has lapsed to cover any expenditures that might come in after year end.

Response - We have begun implementing this recommendation.

Conclusion - Response accepted.

I-E-05 Donations - We noted during our audit that the Student Activity Fund made a donation to Toys for Tots. There was no fundraiser noted that specified that the proceeds would be used for this purpose.

Recommendation - If the District wants to make donations they need maintain a fundraiser that specifies what the proceeds are going to be used for. This specific purpose also needs to be posted, so the consumer knows what the proceeds are to be used for.

Response - We were not aware of this problem, but will correct it.

Conclusion - Response accepted.

I-F-05 Timely Deposits - We noted during our audit that deposits for the School Nutrition Fund were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - Even though we have a shortage of available staff, we will strive to make deposits in a more timely manner.

Conclusion - Response accepted.

I-G-05 Student Activity Fund-Individuals Receiving Checks - We noted during our audit that the District wrote checks to individual students in the Student Activity fund. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - This procedure will be corrected and communicated to all pertinent parties.

Conclusion - Response accepted.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-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.
- II-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-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.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted 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.
- II-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.