

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Coon Rapids-Bayard Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Mike Oswald	President	2011
Roger Tapps	Vice President	2011
Larry Nees	Board Member	2011
Jill Anthofer	Board Member	2011
Mike Carter	Board Member	2013
Joel Davis	Board Member	2013
Pat McAlister	Board Member	2013
(After September 2011 Election)		
Joel Davis	President	2013
Mike Carter	Vice President	2013
Pat McAlister	Board Member	2013
Brad Schlepp	Board Member	2015
Jill Anthofer	Board Member	2015
Mike Oswald	Board Member	2015
Steve Dentlinger	Board Member	2015
School Officials		
Rich Stoffers	Superintendent	2012
Gail Hopkins	District Secretary/ Treasurer	2012
Ahlers & Cooney	Attorney	2012
Engel Law Firm	Attorney	2012

Coon Rapids-Bayard Community School District

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

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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2013 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.

Member American Institute & Iowa Society of Certified Public Accountants

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting process for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those 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 year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,014,494 in fiscal 2011 to \$4,763,510 in fiscal 2012, while General Fund expenditures increased from \$4,633,842 in fiscal 2011 to \$4,695,486 in fiscal 2012. Revenues still outpaced expenditures resulting in an increase in the District's General Fund balance from \$633,613 in fiscal 2011 to \$701,637 in fiscal 2012, a 10.74% increase from prior year.
- The fiscal year 2012 General Fund revenue decrease was attributable to decreases in state and federal revenue sources during the year. The increase in expenditures was attributable to an increase in negotiated salaries and benefits.

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 custodian 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, as well as representing the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Coon Rapids-Bayard Community School District Annual Financial Report

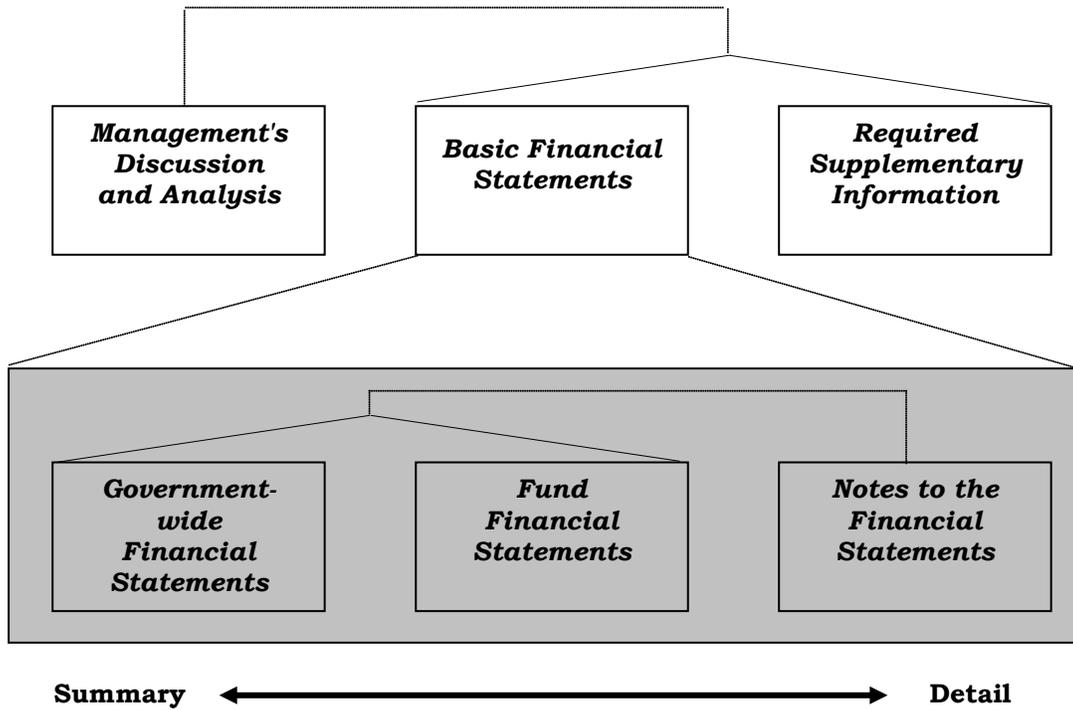


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 revenues, expenses and changes in fund 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 Fund Net Assets and a Statement of Cash Flows.

3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for net assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust - The District accounts for outside donations for FFA and student council scholarships in this fund.
- Agency Funds - These are funds through which the District administers acts as a fiscal agent for a faculty pop fund.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,073,786	4,435,695	42,785	27,763	6,116,571	4,463,458	37.04%
Capital assets	5,302,938	3,668,242	23,778	24,659	5,326,716	3,692,901	44.24%
Total assets	<u>11,376,724</u>	<u>8,103,937</u>	<u>66,563</u>	<u>52,422</u>	<u>11,443,287</u>	<u>8,156,359</u>	<u>40.30%</u>
Long-term obligations	3,131,377	277,134	484	263	3,131,861	277,397	1029.02%
Other liabilities	3,213,778	2,786,507	14,465	6,700	3,228,243	2,793,207	15.57%
Total liabilities	<u>6,345,155</u>	<u>3,063,641</u>	<u>14,949</u>	<u>6,963</u>	<u>6,360,104</u>	<u>3,070,604</u>	<u>107.13%</u>
Net assets:							
Invested in capital assets, net of related debt	2,297,938	3,493,242	23,778	24,659	2,321,716	3,517,901	-34.00%
Restricted	2,171,339	1,060,881	-	-	2,171,339	1,060,881	104.67%
Unrestricted	562,292	486,173	27,836	20,800	590,128	506,973	16.40%
Total net assets	<u>\$ 5,031,569</u>	<u>5,040,296</u>	<u>51,614</u>	<u>45,459</u>	<u>5,083,183</u>	<u>5,085,755</u>	<u>-0.05%</u>

The District's combined net assets decreased by 0.05% or \$2,572 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, 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 increased 104.67% or \$1,110,458 over the prior year. The increase in restricted net assets was primarily due to the increases in the fund balances of the Capital Projects: Statewide Sales, Services and Use Tax and Debt Service funds.

Unrestricted net assets - are 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 16.40% or \$83,155 from the prior year. The increase in unrestricted net assets was primarily due to the increase in the unassigned fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4								
Changes of Net Assets								
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
	2012	2011	2012	2011	2012	2011	2011-12	
Revenues:								
Program revenues:								
Charges for services	\$ 353,826	288,150	104,626	105,404	458,452	393,554	16.49%	
Operating grants, contributions and restricted interest	475,509	488,885	158,381	171,886	633,890	660,771	-4.07%	
Capital grants, contributions and restricted interest	21,639	27,250	2,380	-	24,019	27,250	-11.86%	
General revenues:								
Property tax	2,286,132	2,231,676	-	-	2,286,132	2,231,676	2.44%	
Income surtax	110,925	134,918	-	-	110,925	134,918	-17.78%	
Statewide sales, services and use tax	322,872	393,552	-	-	322,872	393,552	-17.96%	
Unrestricted state grants	2,050,868	2,139,219	-	-	2,050,868	2,139,219	-4.13%	
Nonspecific program federal grants	1,440	264,232	-	-	1,440	264,232	-99.46%	
Unrestricted investment earnings	13,767	10,909	68	71	13,835	10,980	26.00%	
Other	76,162	67,948	-	4,694	76,162	72,642	4.85%	
Total revenues	<u>5,713,140</u>	<u>6,046,739</u>	<u>265,455</u>	<u>282,055</u>	<u>5,978,595</u>	<u>6,328,794</u>	<u>-5.53%</u>	
Program expenses:								
Governmental activities:								
Instructional	3,619,180	3,494,054	-	-	3,619,180	3,494,054	3.58%	
Support services	1,735,043	1,276,526	-	-	1,735,043	1,276,526	35.92%	
Non-instructional programs	-	-	259,300	243,129	259,300	243,129	6.65%	
Other expenses	367,644	338,917	-	-	367,644	338,917	8.48%	
Total expenses	<u>5,721,867</u>	<u>5,109,497</u>	<u>259,300</u>	<u>243,129</u>	<u>5,981,167</u>	<u>5,352,626</u>	<u>11.74%</u>	
Change in net assets	(8,727)	937,242	6,155	38,926	(2,572)	976,168	-100.26%	
Net assets beginning of year	<u>5,040,296</u>	<u>4,103,054</u>	<u>45,459</u>	<u>6,533</u>	<u>5,085,755</u>	<u>4,109,587</u>	<u>23.75%</u>	
Net assets end of year	<u>\$ 5,031,569</u>	<u>5,040,296</u>	<u>51,614</u>	<u>45,459</u>	<u>5,083,183</u>	<u>5,085,755</u>	<u>-0.05%</u>	

In fiscal 2012, local tax, statewide sales, services and use tax and unrestricted state grants account for 83.51% of the revenue from governmental activities while charges for services and operating and capital grants, contributions and restricted interest account for nearly all of the revenue from business type activities.

The District's total revenues were \$5,978,595 of which \$5,713,140 was for governmental activities and \$265,455 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.53% decrease in revenues and an 11.74% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,713,140 and expenses were \$5,721,867.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year end June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 3,619,180	3,494,054	3.58%	2,971,018	2,887,997	2.87%
Support services	1,735,043	1,276,526	35.92%	1,695,083	1,262,858	34.23%
Other expenses	367,644	338,917	8.48%	204,792	154,357	32.67%
Totals	\$ 5,721,867	5,109,497	11.98%	4,870,893	4,305,212	13.14%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$353,826.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$497,148.
- The net cost of governmental activities was financed with \$2,286,132 in property tax, \$110,925 of income surtax, \$322,872 in statewide sales, services and use tax, \$2,050,868 in unrestricted state revenues, \$1,440 in nonspecific program federal grants, \$13,767 in interest income and \$76,162 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$265,455 and expenses were \$259,300. 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, contributed capital 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 \$2,745,642 above last year's ending fund balances of \$1,532,457. The primary reason for this increase is the increased fund balance of the Capital Projects: Statewide Sales, Services and Use Tax fund.

Governmental Fund Highlights

- The District's General Fund balance increased from \$633,613 at the end of fiscal 2011 to \$701,637 at the end of fiscal 2012. This was due to revenues exceeding expenditures during the year.
- The Capital Projects Fund balance increased from \$682,986 in fiscal 2011 to \$1,590,802 in fiscal 2012. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$544,038 at June 30, 2011 to \$1,470,947 at June 30, 2012. The increase was due in part to the unexpended portion of revenue bonds issued to fund the Early Childhood Addition Project. The Physical Plant and Equipment Levy Fund balance decreased from \$138,948 at the end of fiscal 2011 to \$119,855 at the end of fiscal 2012.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from a balance of \$45,459 at June 30, 2011 to \$51,614 at June 30, 2012 representing an increase of 13.54%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Coon Rapids-Bayard Community School District amended its budget one time to reflect additional expenditures.

The District's revenues were \$245,242 less than budgeted revenues, a variance of 3.94%. The most significant variance resulted from the District receiving less in state 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, 2012, the District had invested \$5,326,716, 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 4 to the financial statements. Depreciation expense for the year was \$201,423.

The original cost of the District's capital assets was \$9,436,644. Governmental funds account for \$9,363,849 with the remainder of \$72,795 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,761,240 at June 30, 2012 compared to \$0 at June 30, 2011. The increase was due the District undertaking an Early Childhood Addition project.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 122,400	122,400	-	-	122,400	122,400	0.00%
Construction in progress	1,761,240	-	-	-	1,761,240	-	100.00%
Buildings	2,893,776	2,952,099	-	-	2,893,776	2,952,099	-1.98%
Improvements other than buildings	418,701	462,783	-	-	418,701	462,783	-9.53%
Machinery and equipment	106,821	130,960	23,778	24,659	130,599	155,619	-16.08%
Total	\$ 5,302,938	3,668,242	23,778	24,659	5,326,716	3,692,901	44.24%

Long-Term Debt

At June 30, 2011, the District had \$3,131,861 in total long-term debt outstanding. This represents an increase of 1029.02% over last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

At year-end, the District had total revenue bonds payable of \$3,005,000.

At year-end, the District had total Compensated Absences payable from the General Fund of \$62,165.

At year-end, the District had total Early Retirement payable from the Special Revenue, Management Fund of \$35,136.

At year end, the District had a Net OPEB Liability payable of \$29,560. Governmental activities account for \$29,076 of the total, while business-type activities account for \$484.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Revenue bonds	\$ 3,005,000	-	-	-	3,005,000	-	100.00%
Capital loan notes	-	175,000	-	-	-	175,000	-100.00%
Compensated absences	62,165	72,508	-	-	62,165	72,508	-14.26%
Early retirement	35,136	13,848	-	-	35,136	13,848	153.73%
Net OPEB liability	29,076	15,778	484	263	29,560	16,041	84.28%
Total	\$ 3,131,377	277,134	484	263	3,131,861	277,397	1029.02%

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.
- October 2012 certified enrollment decreased to 393.6 students from 426.3 on the October 2011 certified enrollment and 436.3 on the October 2010 enrollment.

• 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 Secretary/Treasurer, 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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,565,527	34,516	3,600,043
Receivables:			
Property tax:			
Delinquent	31,499	-	31,499
Succeeding year	2,193,654	-	2,193,654
Income surtax	114,366	-	114,366
Accounts	9,992	33	10,025
Due from other governments	158,748	-	158,748
Inventories	-	8,236	8,236
Capital assets, net of accumulated depreciation	5,302,938	23,778	5,326,716
Total assets	11,376,724	66,563	11,443,287
Liabilities			
Accounts payable	616,467	7,907	624,374
Salaries and benefits payable	403,657	3,046	406,703
Deferred revenue:			
Succeeding year property tax	2,193,654	-	2,193,654
Unearned revenue	-	3,512	3,512
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	140,000	-	140,000
Early retirement payable	35,136	-	35,136
Compensated absences payable	62,165	-	62,165
Portion due after one year:			
Revenue bonds payable	2,865,000	-	2,865,000
Net OPEB liability	29,076	484	29,560
Total liabilities	6,345,155	14,949	6,360,104
Net Assets			
Invested in capital assets, net of related debt	2,297,938	23,778	2,321,716
Restricted for:			
Categorical funding	162,470	-	162,470
Management levy purposes	118,581	-	118,581
Student activities	73,470	-	73,470
Debt service	226,016	-	226,016
School infrastructure	1,470,947	-	1,470,947
Physical plant and equipment	119,855	-	119,855
Unrestricted	562,292	27,836	590,128
Total net assets	\$ 5,031,569	51,614	5,083,183

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges Contributions for and Restricted Services Interest		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,005,658	106,894	64,269	-	(1,834,495)	-	(1,834,495)
Special	675,410	27,556	23,638	-	(624,216)	-	(624,216)
Other	938,112	188,431	215,735	21,639	(512,307)	-	(512,307)
	<u>3,619,180</u>	<u>322,881</u>	<u>303,642</u>	<u>21,639</u>	<u>(2,971,018)</u>	<u>-</u>	<u>(2,971,018)</u>
Support services:							
Student	45,003	-	7,650	-	(37,353)	-	(37,353)
Instructional staff	164,884	30,945	-	-	(133,939)	-	(133,939)
Administration	549,347	-	1,365	-	(547,982)	-	(547,982)
Operation and maintenance of plant	722,258	-	-	-	(722,258)	-	(722,258)
Transportation	253,551	-	-	-	(253,551)	-	(253,551)
	<u>1,735,043</u>	<u>30,945</u>	<u>9,015</u>	<u>-</u>	<u>(1,695,083)</u>	<u>-</u>	<u>(1,695,083)</u>
Long-term debt interest	64,864	-	-	-	(64,864)	-	(64,864)
Other expenditures:							
AEA flowthrough	162,852	-	162,852	-	-	-	-
Depreciation(unallocated)*	139,928	-	-	-	(139,928)	-	(139,928)
	<u>302,780</u>	<u>-</u>	<u>162,852</u>	<u>-</u>	<u>(139,928)</u>	<u>-</u>	<u>(139,928)</u>
Total governmental activities	<u>5,721,867</u>	<u>353,826</u>	<u>475,509</u>	<u>21,639</u>	<u>(4,870,893)</u>	<u>-</u>	<u>(4,870,893)</u>
Business Type activities:							
Non-instructional programs:							
Food service operations	259,300	104,626	158,381	2,380	-	6,087	6,087
Total business type activities	<u>259,300</u>	<u>104,626</u>	<u>158,381</u>	<u>2,380</u>	<u>-</u>	<u>6,087</u>	<u>6,087</u>
Total	<u>\$ 5,981,167</u>	<u>458,452</u>	<u>633,890</u>	<u>24,019</u>	<u>(4,870,893)</u>	<u>6,087</u>	<u>(4,864,806)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,996,892	-	1,996,892
Capital outlay					289,240	-	289,240
Income surtax					110,925	-	110,925
Statewide sales, services and use tax					322,872	-	322,872
Unrestricted state grants					2,050,868	-	2,050,868
Nonspecific program federal grants					1,440	-	1,440
Unrestricted investment earnings					13,767	68	13,835
Other					76,162	-	76,162
Total general revenues					<u>4,862,166</u>	<u>68</u>	<u>4,862,234</u>
Changes in net assets					(8,727)	6,155	(2,572)
Net assets beginning of year					5,040,296	45,459	5,085,755
Net assets end of year					<u>\$ 5,031,569</u>	<u>51,614</u>	<u>5,083,183</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 1,104,671	1,848,867	611,989	3,565,527
Receivables:				
Property tax:				
Delinquent	26,641	3,542	1,316	31,499
Succeeding year	1,776,072	302,582	115,000	2,193,654
Income surtax	114,366	-	-	114,366
Accounts	1,366	-	8,626	9,992
Due from other governments	80,368	78,380	-	158,748
Total assets	\$ 3,103,484	2,233,371	736,931	6,073,786
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 107,752	339,987	168,728	616,467
Salaries and benefits payable	403,657	-	-	403,657
Deferred revenue:				
Succeeding year property tax	1,776,072	302,582	115,000	2,193,654
Income surtax	114,366	-	-	114,366
Total liabilities	2,401,847	642,569	283,728	3,328,144
Fund balances:				
Restricted for:				
Categorical funding	162,470	-	-	162,470
Management levy purposes	-	-	153,717	153,717
Student activities	-	-	73,470	73,470
Debt service	-	-	226,016	226,016
School infrastructure	-	1,470,947	-	1,470,947
Physical plant and equipment	-	119,855	-	119,855
Unassigned	539,167	-	-	539,167
Total fund balances	701,637	1,590,802	453,203	2,745,642
Total liabilities and fund balances	\$ 3,103,484	2,233,371	736,931	6,073,786

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, 2012

Total fund balances of governmental funds(page 20)	\$ 2,745,642
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	5,302,938
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	114,366
Long-term liabilities, including bonds payable, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in governmental funds.	<u>(3,131,377)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 5,031,569</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, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,016,865	612,112	93,973	2,722,950
Tuition	133,450	-	-	133,450
Other	131,487	33,255	213,311	378,053
State sources	2,305,723	-	-	2,305,723
Federal sources	175,985	-	-	175,985
Total revenues	<u>4,763,510</u>	<u>645,367</u>	<u>307,284</u>	<u>5,716,161</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,955,388	9,285	13,848	1,978,521
Special	670,895	-	1,660	672,555
Other	712,415	-	215,410	927,825
	<u>3,338,698</u>	<u>9,285</u>	<u>230,918</u>	<u>3,578,901</u>
Support services:				
Student	44,917	-	-	44,917
Instructional staff	142,034	22,386	-	164,420
Administration	439,249	28,183	38,168	505,600
Operation and maintenance of plant	368,560	43,756	17,905	430,221
Transportation	199,176	43,561	7,199	249,936
	<u>1,193,936</u>	<u>137,886</u>	<u>63,272</u>	<u>1,395,094</u>
Capital outlays	-	2,088,807	-	2,088,807
Long-term debt:				
Principal	-	-	275,000	275,000
Interest	-	-	65,520	65,520
	<u>-</u>	<u>-</u>	<u>340,520</u>	<u>340,520</u>
Other expenditures:				
AEA flowthrough	162,852	-	-	162,852
Total expenditures	<u>4,695,486</u>	<u>2,235,978</u>	<u>634,710</u>	<u>7,566,174</u>
Excess(Deficiency) of revenues over(under) expenditures	68,024	(1,590,611)	(327,426)	(1,850,013)
Other financing sources(uses):				
Transfer in	-	-	564,771	564,771
Transfer out	-	(564,771)	-	(564,771)
Issuance of revenue bonds	-	3,105,000	-	3,105,000
Net discount on revenue bonds	-	(42,338)	-	(42,338)
Sale of equipment	-	340	-	340
Insurance proceeds	-	196	-	196
Total other financing sources(uses)	<u>-</u>	<u>2,498,427</u>	<u>564,771</u>	<u>3,063,198</u>
Net change in fund balances	68,024	907,816	237,345	1,213,185
Fund balances beginning of year	<u>633,613</u>	<u>682,986</u>	<u>215,858</u>	<u>1,532,457</u>
Fund balances end of year	<u>\$ 701,637</u>	<u>1,590,802</u>	<u>453,203</u>	<u>2,745,642</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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 1,213,185

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

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

Capital expenditures	\$ 1,832,858	
Depreciation expense	(198,162)	1,634,696

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (3,021)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets.

Issued	(3,105,000)	
Repaid	275,000	(2,830,000)

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. 656

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	(21,288)	
Compensated absences	10,343	
Net OPEB liability	(13,298)	(24,243)

Changes in net assets of governmental activities(page 19) \$ (8,727)

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 34,516
Accounts receivable	33
Inventories	8,236
Capital assets, net of accumulated depreciation	<u>23,778</u>
Total assets	<u>66,563</u>
Liabilities	
Accounts payable	7,907
Salaries and benefits payable	3,046
Unearned revenue	3,512
OPEB liability	<u>484</u>
Total liabilities	<u>14,949</u>
Net Assets	
Invested in capital assets	23,778
Unrestricted	<u>27,836</u>
Total net assets	<u>\$ 51,614</u>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 104,626
Gifts and contributions	700
Total operating revenue	105,326
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	77,659
Benefits	13,799
Services	14,777
Supplies	149,804
Depreciation	3,261
Total operating expenses	259,300
Operating loss	(153,974)
Non-operating revenues:	
State sources	2,523
Federal sources	155,158
Interest income	68
Total non-operating revenues	157,749
Changes in net assets before other financing sources	3,775
Other financing sources:	
Contributed capital	2,380
Change in net assets	6,155
Net assets beginning of year	45,459
Net assets end of year	\$ 51,614

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 104,603
Cash received from miscellaneous	700
Cash payments to employees for services	(91,389)
Cash payments to suppliers for goods or services	(146,160)
Net cash used in operating activities	(132,246)
Cash flows from non-capital financing activities:	
State grants received	2,523
Federal grants received	141,247
Net cash provided by non-capital financing activities	143,770
Cash flows from investing activities:	
Interest on investment	68
Net increase in cash and cash equivalents	11,592
Cash and cash equivalents at beginning of year	22,924
Cash and cash equivalents at end of year	\$ 34,516
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (153,974)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,911
Depreciation	3,261
Increase in inventories	(3,397)
Increase in accounts receivable	(33)
Increase in accounts payable	7,907
Decrease in salaries and benefits payable	(152)
Increase in unearned revenue	10
Increase in other postemployment benefits	221
Net cash used in operating activities	\$ (132,246)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received Federal commodities valued at \$13,911.

During the year ended June 30, 2012, the District received capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund of \$2,380.

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust Scholarship	Agency
Assets		
Cash and pooled investments	\$ 3,000	648
Liabilities		
Due to other groups	-	648
Net assets		
Restricted for scholarships	\$ 3,000	-

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 3,000
Deductions:	
Non-instructional programs:	
Scholarships awarded	-
Change in net assets	3,000
Net assets beginning of year	-
Net assets end of year	\$ 3,000

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 non-fiduciary 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 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following non-major proprietary fund:

The Enterprise, School 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 Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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 operations.

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.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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 and intangibles 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	\$ -
Buildings	10,000
Land improvements	10,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Capital assets 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
Intangibles	2 or more
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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Fund.

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, 2012. 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, fund balances are classified as follows:

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

Unassigned - All amounts not included in the preceding classification.

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, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2012, the District had no investments.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 381,396
Debt Service	Capital Projects: Physical Plant and Equipment Levy	183,375
Total		<u>\$ 564,771</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax fund to Debt Service Fund was needed for the payment on the District's revenue bonded indebtedness.

The transfer from General Fund to Capital Projects: Physical Plant and Equipment Levy fund was needed for payment on the District's capital loan note indebtedness.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 122,400	-	-	122,400
Construction in progress	-	1,761,240	-	1,761,240
Total capital assets not being depreciated	122,400	1,761,240	-	1,883,640
Capital assets being depreciated:				
Buildings	5,497,526	37,523	-	5,535,049
Land improvements	881,623	-	-	881,623
Machinery and equipment	1,029,442	34,095	-	1,063,537
Total capital assets being depreciated	7,408,591	71,618	-	7,480,209
Less accumulated depreciation for:				
Buildings	2,545,427	95,846	-	2,641,273
Land improvements	418,840	44,082	-	462,922
Machinery and equipment	898,482	58,234	-	956,716
Total accumulated depreciation	3,862,749	198,162	-	4,060,911
Total capital assets being depreciated, net	3,545,842	(126,544)	-	3,419,298
Governmental activities capital assets, net	\$ 3,668,242	1,634,696	-	5,302,938

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 70,415	2,380	-	72,795
Less accumulated depreciation	45,756	3,261	-	49,017
Business type activities capital assets, net	\$ 24,659	(881)	-	23,778

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 9,550
Other		9,140
Support services:		
Operation and maintenance of plant		2,000
Transportation		37,544
		<u>58,234</u>
Unallocated depreciation		139,928
Total governmental activities depreciation expense		<u>\$ 198,162</u>
Business type activities:		
Food service operations		<u>\$ 3,261</u>

(5) **Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ -	3,105,000	100,000	3,005,000	140,000
Capital loan notes	175,000	-	175,000	-	-
Compensated absences	72,508	62,165	72,508	62,165	62,165
Early retirement	13,848	35,136	13,848	35,136	35,136
Net OPEB liability	15,778	13,298	-	29,076	-
Total	\$ 277,134	3,215,599	361,356	3,131,377	237,301
Business type activities:					
Net OPEB liability	\$ 263	221	-	484	-

Revenue Bonds

Details of District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond of Issues Nov 8, 2011			
		Principal	Interest	Total	
2013	2.00	% \$ 140,000	83,718	223,718	
2014	2.00	145,000	80,917	225,917	
2015	2.00	145,000	78,018	223,018	
2016	2.00	150,000	75,117	225,117	
2017	2.00	150,000	72,117	222,117	
2018-2022	2.25-2.70	810,000	307,828	1,117,828	
2023-2027	2.80-3.40	925,000	191,475	1,116,475	
2028-2030	3.60-4.00	540,000	35,630	575,630	
		\$ 3,005,000	924,820	3,929,820	

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,105,000 of bonds issued in November 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition to the elementary school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not general obligation bonds of the District. However, the debt is subject to the constitutional debt limit of the District. Annual principal and interest payments on the bonds are expected to require nearly 69% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,929,820. For the current year, \$157,145 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$322,872.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds included the following provisions:

- a) \$225,918 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserves account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Early Retirement

The District determines to offer early retirement on an as needed basis. The purpose of this Plan is to provide the District's employees with options and opportunities for early retirement from their employment with the District. The requirements for early retirement is: 1) they have completed 20 years of credited service, at least 10 years which have been full time contracted service with the District, 2) they will attain the age of at least 55 on or before August 1st of the year they retire 3) the early retirement application has to be submitted by a date determined by the Board. During the year ended June 30, 2012, the District paid early retirement benefits of \$13,848.

(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.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$221,819, \$193,256 and \$177,727, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees and retirees and their spouses. There are 43 active and 6 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 31,687
Interest on net OPEB obligation	401
Adjustment to annual required contribution	(2,834)
Annual OPEB cost	<u>29,254</u>
Contributions made	<u>(15,735)</u>
Increase in net OPEB obligation	13,519
Net OPEB obligation beginning of year	16,041
Net OPEB obligation end of year	<u><u>\$ 29,560</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$15,735 to the medical and explicit plans. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 28,783	59.91%	\$ 11,539
2011	\$ 26,469	82.99%	\$ 16,041
2012	\$ 29,254	53.79%	\$ 29,560

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$324,654 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$324,654. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,980,662, and the ratio of the UAAL to covered payroll was 16.39%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%. Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$688 per month for retirees less than age 65 and \$410 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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 \$162,852 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2012 are comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Dropout and dropout prevention programs	\$ 71,338
Four-year old preschool state aid	49,374
Teacher salary supplement	27,565
Iowa early intervention block grant	8,508
Professional development for model core curriculum	3,533
Professional development	<u>2,152</u>
Total	<u>\$ 162,470</u>

(11) Construction Commitment

The District has entered into a construction contract totaling \$1,426,575 for an elementary addition project. As of June 30, 2012, \$990,027 had been incurred against the contract. The \$436,548 remaining balance of the contract will be paid as work on the project progresses. Once the project is completed, the costs will be capitalized in the District's capital asset listing.

Coon Rapids-Bayard Community School District

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES,
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,234,453	105,394	3,339,847	3,375,605	3,375,605	(35,758)
Intermediate sources	-	-	-	1,200	1,200	(1,200)
State sources	2,305,723	2,523	2,308,246	2,504,673	2,504,673	(196,427)
Federal sources	175,985	155,158	331,143	343,000	343,000	(11,857)
Total revenues	5,716,161	263,075	5,979,236	6,224,478	6,224,478	(245,242)
Expenditures/Expenses:						
Instruction	3,578,901	-	3,578,901	3,987,246	3,987,246	408,345
Support services	1,395,094	-	1,395,094	1,404,000	1,480,000	84,906
Non-instructional programs	-	259,300	259,300	330,100	330,100	70,800
Other expenditures	2,592,179	-	2,592,179	3,071,019	3,071,019	478,840
Total expenditures/expenses	7,566,174	259,300	7,825,474	8,792,365	8,868,365	1,042,891
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,850,013)	3,775	(1,846,238)	(2,567,887)	(2,643,887)	797,649
Other financing sources, net	3,063,198	2,380	3,065,578	2,000,000	2,000,000	1,065,578
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,213,185	6,155	1,219,340	(567,887)	(643,887)	1,863,227
Balances beginning of year	1,532,457	45,459	1,577,916	567,887	567,887	1,010,029
Balances end of year	\$ 2,745,642	51,614	2,797,256	-	(76,000)	2,873,256

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 GAAP basis. Encumbrances are not recognized on the GAAP 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 expenditures by \$76,000.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 369,937	\$ 369,937	0.0%	\$ 1,821,016	20.31%
2011	July 1, 2009	\$ -	\$ 358,569	\$ 358,569	0.0%	\$ 1,754,978	20.43%
2012	July 1, 2009	\$ -	\$ 324,654	\$ 324,654	0.0%	\$ 1,980,662	16.39%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Manage- ment Levy	Total Special Revenue		
Assets					
Cash and pooled investments	\$ 74,767	154,061	228,828	383,161	611,989
Receivables:					
Property tax:					
Delinquent	-	1,316	1,316	-	1,316
Succeeding year	-	115,000	115,000	-	115,000
Accounts	8,626	-	8,626	-	8,626
Total assets	\$ 83,393	270,377	353,770	383,161	736,931
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,923	1,660	11,583	157,145	168,728
Deferred revenue:					
Succeeding year property tax	-	115,000	115,000	-	115,000
Total liabilities	9,923	116,660	126,583	157,145	283,728
Fund balances:					
Restricted for:					
Management levy purposes	-	153,717	153,717	-	153,717
Student activities	73,470	-	73,470	-	73,470
Debt service	-	-	-	226,016	226,016
Total fund balances	73,470	153,717	227,187	226,016	453,203
Total liabilities and fund balances	\$ 83,393	270,377	353,770	383,161	736,931

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			Total	
	Student Activity	Management Levy	Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	\$ -	93,973	93,973	-	93,973
Other	205,937	5,697	211,634	1,677	213,311
Total revenues	205,937	99,670	305,607	1,677	307,284
Expenditures:					
Current:					
Instruction:					
Regular	-	13,848	13,848	-	13,848
Special instruction	-	1,660	1,660	-	1,660
Other	215,410	-	215,410	-	215,410
Support services:					
Administration	-	38,168	38,168	-	38,168
Operation and maintenance of plant	-	17,905	17,905	-	17,905
Transportation	-	7,199	7,199	-	7,199
Long-term debt:					
Principal	-	-	-	275,000	275,000
Interest and fiscal charges	-	-	-	65,520	65,520
Total expenditures	215,410	78,780	294,190	340,520	634,710
Excess(Deficiency) of revenues over(under) expenditures	(9,473)	20,890	11,417	(338,843)	(327,426)
Other financing sources:					
Transfer in	-	-	-	564,771	564,771
Net change in fund balances	(9,473)	20,890	11,417	225,928	237,345
Fund balances beginning of year	82,943	132,827	215,770	88	215,858
Fund balances end of year	\$ 73,470	153,717	227,187	226,016	453,203

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,720,134	128,733	1,848,867
Receivables:			
Property tax:			
Delinquent	-	3,542	3,542
Succeeding year	-	302,582	302,582
Due from other governments	78,380	-	78,380
Total assets	\$ 1,798,514	434,857	2,233,371
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 327,567	12,420	339,987
Deferred revenue:			
Succeeding year property tax	-	302,582	302,582
Total liabilities	327,567	315,002	642,569
Fund balances:			
Restricted for:			
School infrastructure	1,470,947	-	1,470,947
Physical plant and equipment	-	119,855	119,855
Total fund balances	1,470,947	119,855	1,590,802
Total liabilities and fund balances	\$ 1,798,514	434,857	2,233,371

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 322,872	289,240	612,112
Other	11,578	21,677	33,255
Total revenues	<u>334,450</u>	<u>310,917</u>	<u>645,367</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	9,285	9,285
Support services:			
Instructional staff	-	22,386	22,386
Administration	-	28,183	28,183
Operation and maintenance of plant	-	43,756	43,756
Transportation	-	43,561	43,561
Capital outlays	2,088,807	-	2,088,807
Total expenditures	<u>2,088,807</u>	<u>147,171</u>	<u>2,235,978</u>
Excess(Deficiency) of revenues over(under) expenditures	(1,754,357)	163,746	(1,590,611)
Other financing sources(uses):			
Transfer out	(381,396)	(183,375)	(564,771)
Issuance of revenue bonds	3,105,000	-	3,105,000
Net discount on revenue bonds	(42,338)	-	(42,338)
Sale of equipment	-	340	340
Insurance proceeds	-	196	196
Total other financing sources(uses)	<u>2,681,266</u>	<u>(182,839)</u>	<u>2,498,427</u>
Net change in fund balances	926,909	(19,093)	907,816
Fund balances beginning of year	<u>544,038</u>	<u>138,948</u>	<u>682,986</u>
Fund balances end of year	<u>\$ 1,470,947</u>	<u>119,855</u>	<u>1,590,802</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund		
	FFA	Student Council	Total
	Scholarship	Scholarship	
Assets			
Cash and pooled investments	\$ 2,200	800	3,000
Liabilities	-	-	-
Net assets			
Restricted for scholarships	\$ 2,200	800	3,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund		
	FFA	Student	Total
	Scholarship	Council Scholarship	
Additions:			
Local sources:			
Gifts and contributions	\$ 2,200	800	3,000
Deductions:			
Instruction:			
Regular:			
Scholarships awarded	-	-	-
Changes in net assets	2,200	800	3,000
Net assets beginning of year	-	-	-
Net assets end of year	\$ 2,200	800	3,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Co-Ed athletics	\$ 3,673	51,921	51,448	-	4,146
Weight room	-	770	67	-	703
RIF club	2,210	600	330	-	2,480
Elementary club	1,755	1,368	1,317	-	1,806
MS track	133	-	-	-	133
MS girls basketball	762	332	-	-	1,094
MS cheerleaders	118	-	-	-	118
MS concessions	579	-	357	-	222
Intermediate club	112	-	88	-	24
MS student council	847	-	310	-	537
Drama and speech	457	1,867	1,542	-	782
Cross country	85	210	30	-	265
Boys basketball	2,114	3,173	3,249	-	2,038
Football	4,521	23,658	26,317	-	1,862
Baseball	1,537	15,044	16,581	-	-
Boys track	32	952	671	-	313
Boys golf	32	-	-	-	32
Wrestling club	1,504	8,338	6,183	-	3,659
Girls basketball	220	4,285	3,738	-	767
Girls volleyball	115	5,249	3,584	-	1,780
Softball	640	605	322	-	923
Girls golf	758	-	-	-	758
Art club	-	293	148	-	145
Pepsi products	23	-	-	(23)	-
High School Cheerleaders	1,296	3,522	3,573	-	1,245
WR Cheerleaders	-	60	-	-	60
Concessions	498	13,144	13,005	-	637
FFA	10,453	30,915	40,075	-	1,293
FCCLA	1,051	-	66	-	985
YSO	149	-	-	-	149
National honor society	648	935	823	-	760
Sign fund	610	4,793	4,891	23	535
Spanish club	15,428	86	249	-	15,265
Student council	6,368	10,355	13,332	670	4,061
Band trip	7,369	831	1,804	-	6,396
Yearbook	11,023	6,583	6,431	-	11,175
Class of 2010	453	-	-	(453)	-
Class of 2011	332	-	115	(217)	-
Class of 2012	2,688	144	2,752	-	80
Class of 2013	2,215	7,430	7,100	-	2,545
Class of 2014	135	7,360	4,394	-	3,101
Class of 2015	-	1,114	518	-	596
Total	\$ 82,943	205,937	215,410	-	73,470

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,722,950	2,739,622	2,382,926	2,256,172	2,053,447	2,087,034	1,925,580	1,915,144	1,918,584
Tuition	133,450	96,865	88,748	75,079	52,364	52,897	12,394	20,427	18,031
Other	378,053	331,529	289,785	388,776	325,069	354,051	331,079	316,508	325,357
Intermediate sources	-	-	-	-	-	5,156	-	-	6,492
State sources	2,305,723	2,435,223	2,084,471	2,482,847	2,419,525	2,270,117	2,375,501	2,131,334	1,960,238
Federal sources	175,985	422,976	410,431	170,870	169,248	188,846	172,828	202,996	328,065
Total	\$ 5,716,161	6,026,215	5,256,361	5,373,744	5,019,653	4,958,101	4,817,382	4,586,409	4,556,767
Expenditures:									
Current:									
Instruction:									
Regular	\$ 1,978,521	2,102,680	2,034,452	2,135,175	2,023,817	1,977,452	1,886,311	1,858,393	1,741,905
Special	672,555	587,570	576,554	517,807	674,584	491,232	585,131	447,281	655,031
Other	927,825	813,389	796,718	672,280	509,896	602,160	457,905	545,605	438,463
Support services:									
Student	44,917	35,500	45,252	91,272	114,789	120,087	98,707	150,235	122,554
Instructional staff	164,420	152,729	129,828	145,618	270,209	149,004	116,982	129,518	146,768
Administration	505,600	458,856	472,060	442,727	370,124	466,886	515,935	474,805	436,758
Operation and maintenance of plant	430,221	406,487	382,318	359,491	376,627	366,824	369,362	354,057	358,371
Transportation	249,936	183,952	288,584	246,070	187,081	291,658	178,054	155,619	160,239
Non-instructional programs	-	-	-	-	-	-	-	2,570	-
Capital outlays	2,088,807	429,314	117,155	253,433	126,752	62,285	203,942	124,560	293,538
Long-term debt:									
Principal	275,000	170,000	160,000	160,000	145,000	140,000	135,000	130,000	125,000
Interest and fiscal charges	65,520	15,805	22,635	29,355	35,300	40,900	45,563	51,925	56,838
Other expenditures:									
AEA flowthrough	162,852	184,560	168,376	157,274	154,060	149,140	147,243	143,502	145,759
Total	\$ 7,566,174	5,540,842	5,193,932	5,210,502	4,988,239	4,857,628	4,740,135	4,568,070	4,681,224

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 20, 2013. 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

The management of Coon Rapids-Bayard Community School District is responsible for establishing and maintaining effective 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-12 to I-E-12 to be significant deficiencies.

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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 immaterial instances of non-compliance or other matters which 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, 2012 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.

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

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

March 20, 2013

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 will be made if possible.

Conclusion - Response accepted.

I-B-12 Payroll Contract Verification - During our audit we noted payroll contracts are entered into the system. However, we noted that a second individual does not review the original entry of the contract into the system to verify that it has been entered accurately.

Recommendation - The District should review its procedures for entering payroll contracts into the system. The District should consider adding the additional control of a second individual reviewing the entered payroll contracts and verifying their accuracy to enhance the control processes already in place.

Response - The District will review its procedures and will make the necessary changes in the future.

Conclusion - Response accepted.

I-C-12 Timely Deposits - We noted during our audit that sponsors of Student Activity fundraisers were not always turning in money collected in a timely fashion.

Recommendation - Sponsors should turn in money collected from fundraisers in a timely fashion so that those funds may be deposited and recorded. The district should review procedures to ensure that the deposits are made timely.

Response - The District will continue to educate staff to submit money to the office in a timely matter for the deposit to be reconciled.

Conclusion - Response accepted.

I-D-12 Purchase Orders - We noted in the Student Activity Account invoices processed without purchase orders or purchase orders dated after the date of the invoice. Although purchase orders are not required, the use of purchase orders enables the accounting office to more

easily process payments. The invoice can be matched to the purchase order and the documentation is clearly identified as to which club should be charged and who approved the purchase. The practice of forwarding bills to sponsors for approval would not be necessary as the purchase order with the approval could be matched to the invoice. This could help in more timely payment of bills and less confusion for the sponsor. All bills should be sent directly to the business office for payment.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place, and staff should be instructed accordingly.

Response - The District will continue to educate staff on the proper practice of purchasing which is to fill-out a purchase order before a purchase is made with prior approval by administration.

Conclusion - Response accepted.

I-E-12 Gate Admissions - It was noted that the District does utilize pre-numbered tickets for Indoor events that requires an admission. However, we noted that the District does not use pre-numbered tickets for outdoor events.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will take the recommendations into consideration and will make the necessary changes when they are possible.

Conclusion - Response accepted.

OTHER MATTERS:

I-F-12 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did account for food inventory at the end of fiscal 2012. However, we noted the District did not use the correct values provided by the Department of Education when pricing out processed commodity food inventory.

Recommendation - The District should review procedures in place for calculation of food inventory prices. The Department of Education provides a price listing of food values to be used for year-end calculations.

Response - The District will continue to educate the Food Service Director to use the correct procedures and practices while calculating commodity pricing.

Conclusion - Response accepted.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 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-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Carter, Board Member Deb Carter, Cook Own Hidden Acre Ranch	Purchased services	\$ 13
Kevin Reis, Coach Owns Reis Lawncare	Purchased services	\$ 7,612
Larry Cady, Bus Driver Owns Private Shop	Rent	\$ 2,400

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

In accordance with Attorney General's Opinion dated July 2, 1990 the above transactions with District cook, coach, and bus driver do not appear to represent a conflict of interest.

- II-E-12 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-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-12 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Department of Education.
- II-I-12 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-12 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.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	544,038
Revenues/transfers in:			
Sales tax revenues	\$	322,872	
Other local revenues		11,578	
Sale of long-term debt	3,105,000		<u>3,439,450</u>
			3,983,488
Expenditures/transfers out:			
School infrastructure construction	2,088,807		
Other	42,338		
Transfer to other funds:			
Debt Service Fund	381,396		<u>2,512,541</u>
Ending balance		\$	<u><u>1,470,947</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. We noted that the District paid scholarships out of the high school student council and FFA Student Activity accounts. The District indicated that the money was raised for the purpose of a scholarship, and money was placed into the Private Purpose Trust Fund. However, expenditures for scholarships were still recorded in the Student Activity Fund instead of the Private Purpose Trust Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds and subsequent expenditures for giving scholarships to students should be placed in the Private Purpose Trust Fund.

Response - The District has made this change for the 2012-2013 school year, recording proceeds and expenditures for scholarships in the Private Purpose Trust Fund.

Conclusion - Response accepted.