

Cedar Rapids Community School District  
Cedar Rapids, Iowa  
in the County of Linn, State of Iowa

Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2006

Comprehensive Annual Financial Report

Cedar Rapids Community School District

Fiscal Year Ended June 30, 2006

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# CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT

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## **Introductory Section**



December 31, 2006

To the Board of Directors:

We are delighted to submit to you the Comprehensive Annual Financial Report, (CAFR) of the Cedar Rapids Community School District, (the "District") for the year ending June 30, 2006. This report has been prepared to conform to guidelines recommended by the Association of School Business Officials International and the Government Finance Officers Association of the United States and Canada.

For fiscal year 2001-2002, Governmental entities, whose revenues exceed \$100 million, were required to meet the new reporting guidelines as promulgated by the Governmental Accounting Standards Board, (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments." (GASB-34). Consequently, fiscal year ending June 30, 2006, marks the fifth year in which our report includes all required revisions to conform to the new standards promulgated under GASB-34.

This year's CAFR includes a newly revised and improved statistical section as required by GASB-44. The purpose of GASB-44 is to provide statement readers an improved historical perspective, context and detail to assist in using the information in the financial statements to better understand and assess the District's economic condition.

The statistical section is divided into five categories including financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

### **Management Responsibility**

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed information is fairly stated in all material respects and is presented in a manner which sets forth the financial position and results of operations of the various funds of the District in accordance with generally accepted accounting principles, (GAAP). It includes the entire District. All disclosures necessary to enable a reader to gain maximum understanding of the District's financial activities have been included.

### **CAFR**

The 2006 Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Internal Controls and Compliance.



**1. The Introductory Section.** This section includes a transmittal letter, economic outlook of the community, the District's accomplishments, a District Financial Profile, the District's Leadership Team and a list of the Board of Directors and District officials.

**2. The Financial Section.** The School District's financial statements and schedules are presented in accordance with the financial reporting pyramid set forth by the Governmental Accounting Standards Board. The financial section consists of the independent auditor's report, Management's Discussion and Analysis (MD&A), audited basic financial statements, required supplemental information, and combined and individual fund statements and schedules. The audited basic financial statements present both an overview and a broad long-term perspective of the School District as a whole in the government-wide financial statements. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

**3. The Statistical Section.** The newly revised and improved statistical section as previously stated above, provides the reader with unaudited financial and demographic information, generally presented on a multi-year basis.

**4. The Internal Controls and Compliance Section.** The School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. This section contains all necessary schedules and auditor's reports required for the District to comply with these regulations.

## **Reporting Entity**

This report includes all entities or organizations that are required to be included in the School District's reporting entity. The District is not included in any other reporting entity, nor is any other entity included within this report. The basic criteria for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and either the ability of the primary government to impose its will on the organization or a financial benefit/burden relationship. In addition, an organization, which is fiscally dependent on the primary government, should be included in its reporting entity.

A seven-member elected Board of Directors who serve three-year terms governs the Cedar Rapids Community School District. The Board of Directors is a policy-making and planning body whose decisions are carried out by school administrators.

The District is the second largest of Iowa's public school systems with a "certified" enrollment of 17,755 students. The District operates a total of three regular high schools and one alternative high school, six middle schools and twenty-four elementary schools. The District provides a full range of educational services appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education; special education for children with special needs; vocational education; and numerous individualized programs such as specialized instruction for students at-risk and for limited-English-speaking students.

In addition to the elementary, middle school and high school programs offered in the District, there are additional opportunities for achieving success. Metro High School is an alternative school for students who function better in a less-structured environment. Public preschool, called the Step Up Preschool Program, is available to approximately 128 four-five year olds based on income levels and student needs. Finally, a Gifted and Talented learning program provides identified students at all levels an enriched and differentiated curricular program.

The District also provides day care services for infants through age five and extended day programs for students in several of the school buildings through a partnership with St. Luke's Hospital. The District is supported financially by state aid, property taxes, income surtaxes, state and federal grants for special projects, and local revenue received for tuition and other services.

## **Economic Condition and Outlook**

Because of its central location, Cedar Rapids has a tradition as an economic capital for more than 600,000 Eastern Iowans living within 60 minutes of the city. Cedar Rapids takes pride in its leadership in service industries, retail sales, and other related business such as insurance and government services. Cedar Rapids is home to more than 275 different manufacturing plants. It has some two-dozen Fortune 500 companies, international exports reaching record numbers for the United States, and ties with companies from around the world. These include Canada, Denmark, Ireland, Korea, Japan, the Netherlands, Switzerland and the United Kingdom.

Cedar Rapids is the manufacturing capital of Iowa and the state's second largest city. Manufactured exports from the Cedar Rapids area are estimated at over \$500 million. More than 100 countries receive an almost endless variety of products and services from businesses and industries located in Cedar Rapids. Export products include road-building, earth moving, pharmaceutical and food processing equipment, home appliances, avionics and telecommunications equipment, grains and their by-products, computer software, computer hardware and more.

More than 120,000 people live in Cedar Rapids. The surrounding towns make Linn County a community of more than 190,000 residents. The 2000 Census showed this area as one of the strongest growth areas in Iowa.

Cedar Rapids is a regional hub for Eastern Iowa because of its proximity to several of the country's largest metropolitan areas and major interstate highways. Cedar Rapids enjoys direct access to cities in the Midwest like Chicago, Minneapolis, Milwaukee, Omaha, St. Louis and Kansas City.

Rockwell Collins remains the largest employer in the Cedar Rapids area producing advanced communications and aviation electronics for government and commercial customers. The company is a leading supplier of commercial and military aviation electronics and communication systems.

Virtually every commercial airliner worldwide flies with Collins equipment and almost 70 percent of all U.S. military airborne communications is transmitted on Collins equipment. In new business dimensions, the company is advancing the technologies of interactive in-flight entertainment, direct broadcast satellite TV and cabin management systems for commercial and business aircraft. As a leader in GPS technology, Rockwell Collins is applying its expertise to improve air traffic management and safety in increasingly crowded airways. Employing more

than 2,500 scientists and engineers, Rockwell Collins has the state's largest technical workforce. Rockwell Collins also supports the teaching of math and science in schools with a well-established K-12 education partnership program.

Other companies within the electronic equipment and components industry include VDO Automotive Corporation, Intermec, Skyworks Solutions Inc, WABTEC, Trapeze Group, SiRF Technology and Schneider Electric to name a few. These companies make the Cedar Rapids area one of the largest communities per capita for electrical and software engineers.

Construction activity, which includes developments in commercial, industrial and single/multiple dwelling categories, increased 25 percent from the previous year. Building permit valuation for all construction activity in the City of Cedar Rapids stood at \$199,620,736 in 2005, compared to \$158,936,944 in 2004. Single-family housing starts in Cedar Rapids experienced an increase over the prior year growing from \$34,423,845 in 2004, to \$37,783,146 in 2005. Permits for 348 new single-family dwellings were issued in Cedar Rapids in 2005 compared to 338 permits issued the previous year. In the Cedar Rapids metropolitan area, 687 permits for single-family dwellings were issued, virtually the same number, (683) as the previous year.

Retail sales in the Cedar Rapids metropolitan area reached an all time high in 2005. Retail sales (as measured in 1996 dollars) were \$2.83 billion in 2005 up from \$2.73 billion in 2004. The three largest sectors of retail sales in the Cedar Rapids metropolitan area were automobile sales at \$664.85 million, general merchandise at \$415.74 million and food store sales at \$361.07 million. Since 2000 retail sales have enjoyed a "real" growth rate (discounting the effects of inflation) of approximately 10%.

Mean household income, (as measured in 1996 dollars) in the Cedar Rapids metropolitan area increased to \$67,598 in 2005, from \$67,126 in 2004. Income per capita, (also measured in 1996 dollars) shows similar trends increasing to \$27,980 in 2005 from \$27,662 the previous year. The civilian labor force in the Cedar Rapids metropolitan area increased from 137,030 in 2004 to 140,210 as of October 2005. Unemployment dropped from 5.1% to 4.5% over the same time period.

Steeped in the lore and history of Cedar Rapids is the early emergence of agriculture-based businesses. The sector continues to make up an important base of the economy. Quaker Food and Beverages, a division of Pepsico Inc. runs the world's largest cereal manufacturing plant in Cedar Rapids. General Mills, HJ Heinz, Ralston Foods, Diamond V Mills, Penford Products, ADM Corn Processing and Cargill all have key positions in our agriculture-based economy.

Cedar Rapids is also home to Genencor International, SunOpta Ingredients, JRS Pharma LP, J Rettenmaier USA LP and Red Star Yeast LLC. These bioproducts plants illustrate good marriages between high technology and agribusiness. Genencor is a leading producer of industrial enzymes and other chemicals. Customers routinely use their products to make common household items such as laundry detergents and soft drinks.

The insurance and financial services sectors have been a source of growth and strength in the area economy. United Fire Group and GreatAmerica Leasing are headquartered in Cedar Rapids, AEGON, the fifth largest insurance company in the world, has its largest U.S. employee presence and corporate offices in Cedar Rapids. Toyota Financial Services Center, Principal Financial Group, Fiserv Insurance Solutions and GE Capital/Vendor Financial Services Center are just a few of the other highly recognized, quality companies from this industry that are located in the Cedar Rapids area.

Cedar Rapids is also a regional leader in service industries, retail sales, and other businesses such as health care and government services. The variety of business and industry not only helps insulate the community from rocky economic times, it also virtually assures newcomers of finding a job that fits their skills and education.

Economic development organizations and local governments in Linn County have teamed with colleagues to the south in Johnson County to market the region as an ideal location for companies using the highest level of technology within their given industries. The "Technology Corridor" encompasses a wide region including the Cedar Rapids and Iowa City metropolitan areas and several surrounding communities.

The Technology Corridor has a dynamic line-up of companies utilizing the highest level of technology within their industry like Rockwell Collins, ACT, Integrated DNA, Genercor International and NCS/Pearson. In 2004, Forbes ranked Iowa City no. 3 and Cedar Rapids no. 32 for "Best Places for Business and Careers".

### **District Accomplishments and Activities in 2005-2006**

Past efforts on behalf of our children have been legion, and we are especially grateful to our wonderful community as we look back on the 2005-06 school year. It was a year of notable activities accomplishments and achievements in many areas indeed! Some of the more noteworthy are:

**District high school students welcome summer exchange visitors:** Families of Jefferson, Kennedy, and Washington high school students hosted visitors from France this summer as part of a learning exchange program. During the 25-day visit, students worked on improving their speaking skills and visited various cultural attractions.

**District painting on loan to Chicago Art Institute:** *Young Corn*, 1931, one of Grant Wood's greatest regionalist paintings, owned by the Cedar Rapids Community School District, will hang in the galleries of the Art Institute of Chicago in place of Wood's internationally-recognized masterpiece *American Gothic*, 1930.

**Spreading A Reading Epidemic:** Frances Kennedy, Dubuque native and author of *The Pickle Patch Bathtub*, recently spent a day at Taylor Elementary School. Students enjoyed hearing excerpts from the book, read by the author, and got a lesson in goal setting, as she explained her diligence in achieving her dream to become a published author.

**Van Buren Elementary Awarded \$10,000 Partnership Grant:** Van Buren Elementary School has been awarded a \$10,000 Elfun Community Foundation grant through their School + Community Partnership with GE Capital. The school was chosen from over 150 applicants. Monies will be used us to make significant improvements to the Van Buren school campus

**Iowa Recognition for Performance Excellence (IRPE):** The Cedar Rapids Community Schools achieved the bronze award for its 2006 Level III application to the Iowa Recognition for Performance Excellence (IRPE) Program. The District was among seven state organizations to receive such an honor for their applications. The IPRE application process is comprehensive and detailed. Applicants provide responses to multiple questions for the seven categories comprising the nationally-recognized Baldrige Criteria for Performance Excellence.

**District receives IRPE examiner award:** The Iowa Quality Center and the Iowa Recognition for Performance Excellence Executive Council annually recognizes the organization that

supports the examiner base of the IRPE process with the most people. The 2005 honor was recently presented to the Cedar Rapids Community School District. The district had eight examiners in 2005. The district also participated with examiners in 2004.

**Annual Report to the Community:** The District's 2005-2006 Annual Report to the Community was distributed and communicated to the community this past fall. Printed copies may be obtained from the District Community Relations Office, 346 Second Avenue, SW.

**District Focuses on Technology Plan:** The District Technology Department presented to the Board of Education a five-year technology plan. The updated technology plan will support the District's vision of "Excellence for all," assist in accomplishing the goal of increasing achievement, and help to fulfill the core value of visionary leadership.

**District Receives Grant to Support Continuous Improvement:** The Cedar Rapids Community School District received a \$25,000 Good Neighbor Citizenship Grant from State Farm Insurance Companies. The funds will help to advance continuous improvement initiatives across the District, specifically supporting training for teachers and other staff members.

**Metro Students Provide Hurricane Relief during Spring Break:** Thirteen Students with staff members as chaperons from Metro High School skipped the opportunity to sleep in and relax and chose instead to spend their Spring Break vacation helping to rebuild the community of Pass Christian, Mississippi. Hurricane Katrina heavily damaged the area in August 2005.

**Monitoring Progress in Special Services:** The Special Services Department has launched an extensive professional development program focused on progress monitoring. The entire team of 263 special education teachers has been learning how to most effectively monitor student progress in the instructional areas of reading, math, and writing, as well as behavior.

**Jefferson High School Introduces Learning Communities:** Jefferson High School is building professional learning communities to improve student achievement and better focus staff preparation time. With a district emphasis on continuous improvement, Jefferson administration and teachers spent six months developing the new plan. This spring, the high school will develop plans to move to directed learning rather than invitational learning, and will make systems-thinking part of the everyday school culture.

### **Improved Learning Environments**

The District completed the fifth year of its \$52.7 million facilities plan funded by voter-approved bonds plus federal and state grants. The repairs, upgrades, and new spaces continued to improve the learning and teaching environment in our schools. The final project, a heating, ventilation, air conditioning, and water pipe replacement at Wilson School was completed during this past year, marking a completion of the major facilities improvement initiative.

### **Updated Teaching Tools**

The Instructional Support Levy (ISL) funding mechanism allows for a significant investment in new curriculum, teaching tools, and technology. For fiscal year 2006 the total budget for the ISL was \$7.93 million. The District expended the following amounts in support of instruction.

- \$1.31 million for kindergarten reading assistance
- \$1.55 million for counseling
- \$2.65 million for technology software, hardware, support, and staff development
- \$.97 million for building based instructional materials and supplies
- \$.93 million for curriculum needs (textbooks, learning materials, staff development, etc.)
- \$.13 continuous quality improvement initiatives

## **Business Partnerships**

Every school in the District has one official business partner, and some have as many as five. A few examples include:

- Timberland Corporation designed and funded a butterfly garden and outdoor learning center at Polk Elementary.
- Mercy Medical Center provided medical career tours for students at McKinley Middle School.
- GE Capital funded the purchase of Orff xylophones for Van Buren Elementary, helping to inspire imagination and creativity in students.

## **Budgetary Highlights**

### **Budgetary Controls**

The Board of Directors annually adopts a budget on a basis consistent with generally accepted accounting principles. In accordance with state law, annual budgets are adopted for the General, Management, Student Activity, Physical Plant and Equipment Levy, Capital Projects, Debt Service and Nutrition Services Funds as a whole. Appropriations lapse at fiscal year-end and then are reappropriated for the next year, if necessary. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

By April 15 of each year, the budget must be adopted by an affirmative vote of a majority of the Board of Directors for the fiscal year beginning July 1 through June 30, which immediately follows. Once adopted, the budget can be amended through the same process, with all budget amendments to be completed by May 31 of the budget year affected.

Expenditures during a school year may not exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District cost for that year plus the actual miscellaneous revenue received for that year plus the actual unspent balance from the preceding year.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. Combined budgeted expenditures from all District funds, Governmental and Proprietary, are “certified” based upon four functional categories. These four functional areas are instruction, support services, non-instructional programs and other expenditures.

It is the actual expenditures in each of these categories that are compared at year-end to the “certified” spending levels to determine whether or not the District has exceeded its certified budget in any one of these respective categories. Overall, District expenditures did not exceed the certified budget, although in the total Support Services functional category the budget was exceeded by 1.5% which was caused by the State of Iowa mandated general ledger account conversion which reclassified over \$1 million in expenses originally classified as Instructional into the total Support Services function category.

Additional information regarding budgetary legal compliance may be found in the Required Supplementary Information section following the Notes to the Financial Statements.

**Long Term Financial Planning:** A key part of the budgeting process is providing a five year forecast of General Fund revenues and expenditures. The most likely State revenue growth scenarios are identified and used in the forecast of future revenues. In addition, trends

involving negotiated settlements with District employee groups are identified and used in quantifying expenditure forecasts. This long term financial outlook provides for critical information in which to make timely decisions involving the General Fund's financial stability.

**Financial Policies:** In the fall of each year, the Board of Education reviews annually a document called the "Budget Assumptions." The budget assumptions serve as the "financial policy foundation" from which decisions are made in preparation and formulation of the District budget for the upcoming budget year. Among many key policies with financial implications included in the budget assumptions, is the policy related to fund reserve level targets. The District has committed itself to establishing and maintaining a General Fund reserve level of between 8% and 10% of budgeted expenditures. For June 30, 2006 a 12% reserve level was achieved.

### **General Fund Budgetary Highlights**

Of all Governmental Funds, the General Fund is by far the largest, comprising over three quarters of all Governmental Fund expenditures in the fiscal year. Due to the sheer size of the General Fund it is important to point out a few important highlights that occurred during the 2005-2006 fiscal year.

- State allowable growth for public schools in fiscal year 2005-2006 was 4%. Combined with a slight increase in the "budget enrollment" of 35.3 pupils to 17,691.10, and a loss of \$142,898 in State budget guarantee funding, the rate of revenue growth or "new money" was 4.04% over the prior year. This was a significant improvement from the 1% growth rate in the prior year.
- The impact of maintaining a strong cash reserve levy, as well as targeted budget reductions over four consecutive fiscal years ending in FY2006, is reflected in the improved ending fund balance trends of the General Fund as follows:
  - FY03: \$4.9 million, or 3.7% of fund expenditures
  - FY04: \$10.1 million, or 7.6% of fund expenditures
  - FY05: \$16.8 million, or 12.3% of fund expenditures
  - FY06: \$18.8 million, or 12.7% of fund expenditures
- Due to the significant improvements in General Fund reserves, the District reduced the cash reserve levy from \$7.92 million in FY05, to \$4.95 million in FY06.
- General Fund expenditures, excluding other financing uses, totaled \$148.0 million for the fiscal year compared with \$136.5 million in the previous year, representing an increase of \$11.5 million in expenditures, or 8% budget growth.
- General Fund revenues, excluding other financing sources, totaled \$148.6 million for the fiscal year compared with \$143.4 million in the previous year, representing an increase of \$5.2 million in revenues, or 3.6% budget growth.

### **Internal Control**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal

control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. As a part of the District's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards programs, as well as to determine that the District has complied with applicable laws and regulations.

### **Enterprise Operation**

Revenues in the Nutrition Services Fund totaled \$6,859,330, representing an increase of \$289,526 over the fiscal year 2005 amount. Operating expenses and transfers to other funds for the Nutrition Services Fund totaled \$6,512,901, representing an increase of \$374,455, from the fiscal year 2005 amount. Retained earnings were \$1,807,467 at June 30, 2006 compared to \$1,461,038 for the prior fiscal period, resulting in an increase of \$346,429 for the year.

The fund's finances were solid for fiscal year 2005-2006, despite no increases in meal ticket prices. Increases in student meal participation of over 8% in the past five years, in a period of flat overall District enrollments, is the fundamental reason for financial improvement in the fund.

A major achievement in the Food and Nutrition Department was the installation of a point of sale meal accounting system, which was fully operational during the 2002-2003 school year. Payment for this system will be over a five-year period, resulting in additional operating costs to the program. Continued vigilance of the School Nutrition program finances will be necessary over the course of the next several years as the department implements the replacement of aging kitchen equipment at many locations in our District.

### **Debt Administration**

On December 12, 2000, the District successfully passed a \$46 million bond referendum for improvement of District facilities. In January of 2001, the District sold \$10 million in general obligation bonds for the purpose of financing school building renovations and new construction. In December 2001, the District sold the remaining \$36 million in general obligation bonds to take advantage of historically low interest rates. As of June 30, 2006, the District has total general obligation bonded indebtedness of \$39.325 million.

### **Cash Management**

The District, in its effort to be a good manager of public funds, competitively bids its banking services. To maximize investment return while complying with Iowa Code Chapters 12B and 12C, related to allowable investments of the District's public funds, the District invested in savings accounts, bank certificates of deposit and short-term commercial paper during the fiscal year ended June 30, 2006.

Interest revenue of \$1,569,260 was earned on all investments for the year ended June 30, 2006. This represents an increase of \$649,372 or 71% over fiscal year 2005 earnings. Higher investment revenues experienced by the District in all funds except the Capital Projects Fund



are attributable to the Federal Reserve's monetary policy of raising the federal funds interest rates throughout the course of the last several years. The Capital Projects Fund had a decrease in earnings, because of the lower amount of principal invested as the District's capital improvement program nears its conclusion.

## **Risk Management**

The District currently covers property, liability and worker's compensation losses with traditional insurance coverage through the Iowa Association of School Board's, (IASB) group plan carried by Employer's Mutual Insurance Company. The IASB insurance plan continues to be used by almost all of the K-12 public school districts and Area Education Agencies in the state of Iowa.

## **Independent Audit**

The Code of the State of Iowa requires an annual audit of the District to be performed by an accounting firm selected in a competitively bid process. The annual audit meets the requirements of the Code of Iowa, generally accepted auditing standards and the requirements of the 1996 Amendment to the Single Audit Act, and related OMB Circular A-133. The auditor's report on the basic financial statements and combining and individual fund statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in a separate section for internal controls and compliance.

## **Certificate of Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada, (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International, (ASBO) awards a Certificate of Excellence in Financial Reporting. The Cedar Rapids Community School District received both of these Certificates for its comprehensive annual financial report for the fiscal year ending June 30, 2005. This was the eleventh consecutive year that the District has achieved these prestigious awards. Each Certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

In order to be eligible to receive the Certificates, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, (CAFR) whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

These Certificates are valid for a period of one year only. We believe that our current CAFR continues to meet the requirements for both awards and therefore, we are submitting it to GFOA and ASBO to determine its eligibility for each Certificate.

## **Acknowledgments**

The publication of this report is a major step toward the commitment to professionalism in financial reporting and significantly increases the accountability of the District to the taxpayers. This report would not have been possible without the help of several people. We would like to express our appreciation to District staff, and public employees at various Linn County agencies who assisted in providing valuable information in the preparation of this report. A special thank you is extended to Beth McGrath the Accounting Manager, for assistance in planning, designing, preparing and reviewing this financial report.

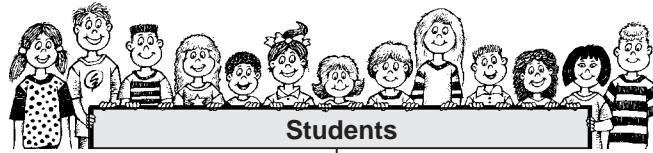
Finally, sincere appreciation is extended to the Board of Directors, where the commitment to excellence begins. It is with great pride that this year's Comprehensive Annual Financial Report is submitted to the Board of Directors.

A handwritten signature in black ink, appearing to read "Steve Graham". The signature is written in a cursive style with a vertical red line to its right.

Steve Graham  
Executive Director of Business  
Services, Board Treasurer

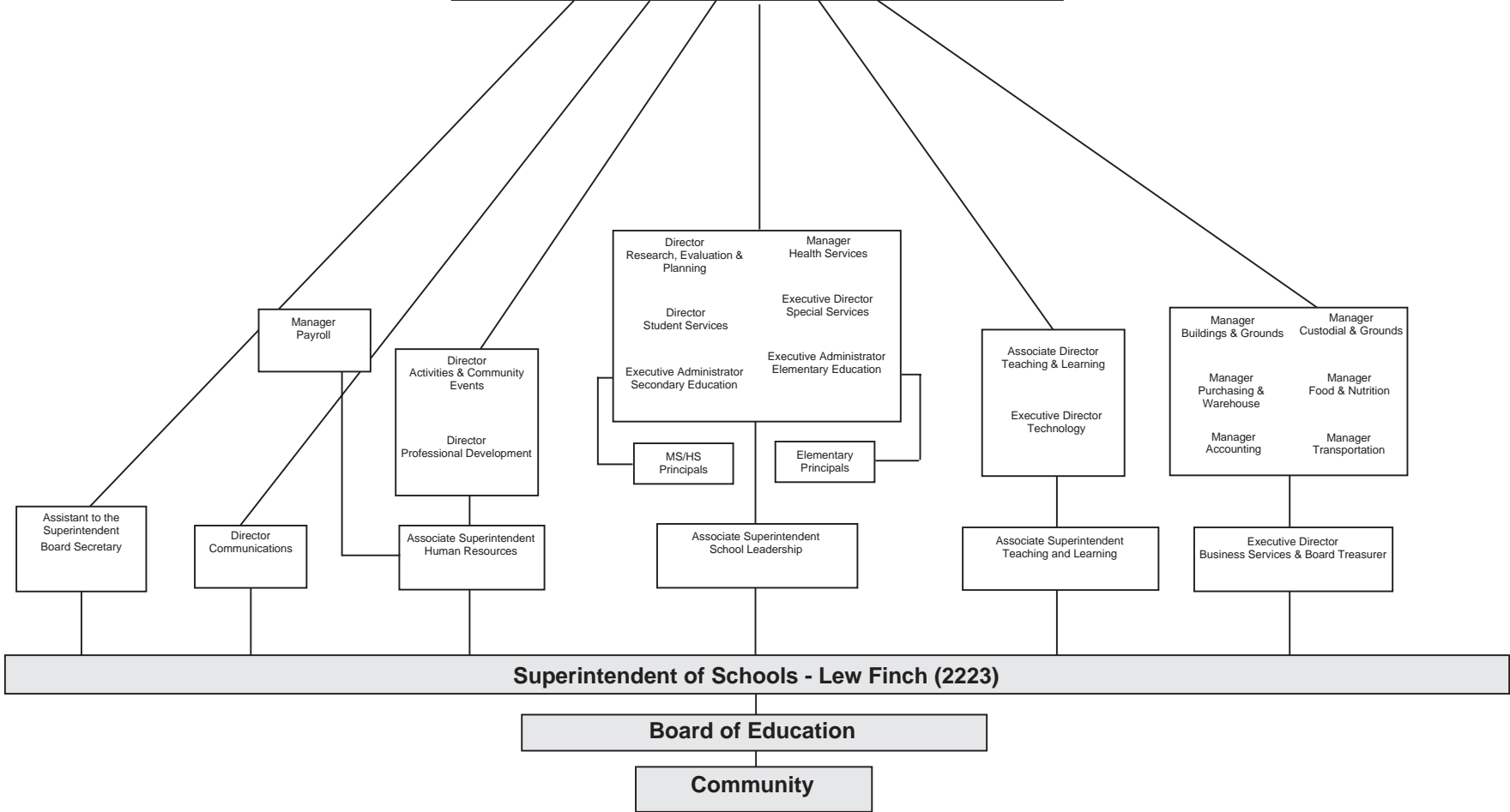
A handwritten signature in black ink, appearing to read "Dr. David Markward". The signature is written in a cursive style.

Dr. David Markward  
Superintendent of Schools



**Students**

**Certified & Classified Staff**



**LEADERSHIP TEAM**  
**Cedar Rapids Community School District**  
**Cedar Rapids, Iowa**

**Cedar Rapids Community School District**

**Board of Directors and District Officials**

**Year ended June 30, 2006**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
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**Board of Directors**

(Before September 2005 election)

Mary Meisterling	President	2005
Ann Rosenthal	Vice-President	2005
Ken Childress	Director	2006
Jeff Ilten	Director	2006
Keith J. Westercamp	Director	2006
Becki Lynch	Director	2007
Melissa Kiliper-Ernst	Director	2007

**Board of Directors**

(After September 2005 election)

Mary Meisterling	President	2008
Keith J. Westercamp	Vice-President	2006
Ken Childress	Director	2006
Jeff Ilten	Director	2006
Becki Lynch	Director	2007
Melissa Kiliper-Ernst	Director	2007
Ann Rosenthal	Director	2008

**District Officials**

Dr. David Markward	Superintendent
Laurel Day	Board Secretary
Steve Graham	Board Treasurer

## **Financial Section**



**Management's Discussion  
and Analysis  
(MD&A)**

# **Government-Wide Financial Statements**



**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets**

**June 30, 2006**

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 37,669,833	\$ 1,576,416	\$ 39,246,249
U.S. Treasury securities on deposit with escrow agent	31,830,243	-	31,830,243
Receivables:			
Property tax:			
Delinquent	861,824	-	861,824
Succeeding year	61,321,000	-	61,321,000
Other	1,379,741	63,177	1,442,918
Due from other governments	4,637,930	42,660	4,680,590
Internal balances	340,630	(340,630)	-
Inventories	158,181	134,745	292,926
Prepaid items	5,182	-	5,182
<b>Total current assets</b>	<b>138,204,564</b>	<b>1,476,368</b>	<b>139,680,932</b>
<b>Noncurrent assets:</b>			
Capital assets:			
Land and construction in progress	16,160,166	-	16,160,166
Depreciable assets	106,255,195	2,681,738	108,936,933
Less: accumulated depreciation	(54,206,715)	(2,218,888)	(56,425,603)
<b>Total noncurrent assets</b>	<b>68,208,646</b>	<b>462,850</b>	<b>68,671,496</b>
<b>Total assets</b>	<b>206,413,210</b>	<b>1,939,218</b>	<b>208,352,428</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued items	16,416,949	37,184	16,454,133
Due to other governments	1,175,826	-	1,175,826
Accrued interest payable	597,025	-	597,025
Unearned revenue:			
Succeeding year property tax	61,321,000	-	61,321,000
Other	1,103,052	94,567	1,197,619
Current portion of long-term obligations	7,138,481	-	7,138,481
<b>Total current liabilities</b>	<b>87,752,333</b>	<b>131,751</b>	<b>87,884,084</b>
<b>Noncurrent liabilities:</b>			
Noncurrent portion of long-term obligations	73,708,742	-	73,708,742
<b>Total noncurrent liabilities</b>	<b>73,708,742</b>	<b>-</b>	<b>73,708,742</b>
<b>Total liabilities</b>	<b>161,461,075</b>	<b>131,751</b>	<b>161,592,826</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	30,011,701	462,850	30,474,551
Restricted for:			
Other special revenue purposes	4,992,969	-	4,992,969
Unrestricted	9,947,465	1,344,617	11,292,082
<b>Total net assets</b>	<b>\$ 44,952,135</b>	<b>\$ 1,807,467</b>	<b>\$ 46,759,602</b>

*The notes to the basic financial statements are an integral part of this statement.*

**Cedar Rapids Community School District**

**Statement of Activities**

**For the Year ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 35,244,717	\$2,663,225	\$ 5,787,053	\$ -	\$ (26,794,439)	\$ -	\$ (26,794,439)
Special instruction	47,377,434	3,311,752	6,731,507	-	(37,334,175)	-	(37,334,175)
Vocational instruction	1,033,006	19,519	238,843	-	(774,644)	-	(774,644)
Other instruction	7,269,449	4,652,180	723,751	-	(1,893,518)	-	(1,893,518)
Total Instruction	<u>90,924,606</u>	<u>10,646,676</u>	<u>13,481,154</u>	<u>-</u>	<u>(66,796,776)</u>	<u>-</u>	<u>(66,796,776)</u>
Support services:							
Student services	4,413,031	-	43,514	-	(4,369,517)	-	(4,369,517)
Instructional staff services	7,037,494	255,208	-	-	(6,782,286)	-	(6,782,286)
General administration services	2,811,090	-	-	-	(2,811,090)	-	(2,811,090)
School administration services	10,216,281	-	-	-	(10,216,281)	-	(10,216,281)
Business services	4,771,895	71,086	-	-	(4,700,809)	-	(4,700,809)
Operations and maintenance	26,502,896	-	-	-	(26,502,896)	-	(26,502,896)
Student transportation	3,212,985	188,769	6,378	-	(3,017,838)	-	(3,017,838)
Total support services	<u>58,965,672</u>	<u>515,063</u>	<u>49,892</u>	<u>-</u>	<u>(58,400,717)</u>	<u>-</u>	<u>(58,400,717)</u>
Non-instructional programs:							
Food services	124,903	-	-	-	(124,903)	-	(124,903)
Community services	2,511,824	3,007,013	-	-	495,189	-	495,189
Total non-instructional programs	<u>2,636,727</u>	<u>3,007,013</u>	<u>-</u>	<u>-</u>	<u>370,286</u>	<u>-</u>	<u>370,286</u>
Other expenditures:							
Facilities acquisition/construction	4,008,904	-	74,267	25,225	(3,909,412)	-	(3,909,412)
Interest on long-term debt	2,452,755	-	-	-	(2,452,755)	-	(2,452,755)
AEA flowthrough	5,527,722	-	5,527,722	-	-	-	-
Total other expenditures	<u>11,989,381</u>	<u>-</u>	<u>5,601,989</u>	<u>25,225</u>	<u>(6,362,167)</u>	<u>-</u>	<u>(6,362,167)</u>
Total governmental activities	<u>164,516,386</u>	<u>14,168,752</u>	<u>19,133,035</u>	<u>25,225</u>	<u>(131,189,374)</u>	<u>-</u>	<u>(131,189,374)</u>
<b>Business-type activities:</b>							
Non-instructional programs:							
Food services	6,281,144	3,427,753	3,370,984	-	-	517,593	517,593
<b>Total school district</b>	<b><u>\$170,797,530</u></b>	<b><u>\$17,596,505</u></b>	<b><u>\$22,504,019</u></b>	<b><u>\$ 25,225</u></b>	<b><u>(131,189,374)</u></b>	<b><u>517,593</u></b>	<b><u>(130,671,781)</u></b>
<b>General revenues:</b>							
Taxes							
Property taxes, levied for general purposes					54,246,327	-	54,246,327
Property taxes, levied for debt service					3,667,686	-	3,667,686
Property taxes, levied for capital outlay					3,985,918	-	3,985,918
Income surtaxes					3,239,523	-	3,239,523
Grants not restricted to specific programs					67,944,624	1,000	67,945,624
Interest and investment earnings					1,510,041	59,219	1,569,260
Miscellaneous					968,048	374	968,422
<b>Transfers</b>					231,757	(231,757)	-
<b>Total general revenues and transfers</b>					<b><u>135,793,924</u></b>	<b><u>(171,164)</u></b>	<b><u>135,622,760</u></b>
<b>Change in net assets</b>					<b><u>4,604,550</u></b>	<b><u>346,429</u></b>	<b><u>4,950,979</u></b>
Net assets - beginning					40,347,585	1,461,038	41,808,623
Net assets - ending					<u>\$ 44,952,135</u>	<u>\$ 1,807,467</u>	<u>\$ 46,759,602</u>

The notes to the basic financial statements are an integral part of this statement.



## **Fund Financial Statements**

**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds**

**As of June 30, 2006**

	General	Management
<b>Assets</b>		
Cash and cash equivalents	\$ 25,877,928	\$ 4,446,885
U.S. Treasury securities on deposit with escrow agent	-	-
Receivables:		
Property tax:		
Delinquent	658,771	89,936
Succeeding year	46,930,000	6,244,000
Other	1,349,132	2,369
Due from other governments	4,637,677	-
Due from other funds	416,914	-
Inventories--supplies and materials	158,181	-
Prepaid items	5,182	-
<b>Total Assets</b>	<b>\$ 80,033,785</b>	<b>\$ 10,783,190</b>
 <b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable and accrued items	\$ 12,228,585	\$ 3,449,543
Due to other governments	1,175,826	-
Due to other funds	-	2,011
Unearned revenue:		
Succeeding year property tax	46,930,000	6,244,000
Other	943,239	-
<b>Total Liabilities</b>	<b>61,277,650</b>	<b>9,695,554</b>
 Fund Balances:		
Reserved for encumbrances	1,859,477	9,000
Reserved for inventories	158,181	-
Reserved for prepaid items	5,182	-
Reserved for categorical programs	188,074	-
Reserved for capital projects	-	-
Unreserved, undesignated reported in:		
General fund	16,545,221	-
Special revenue funds	-	1,078,636
Debt service	-	-
<b>Total Fund Balances</b>	<b>18,756,135</b>	<b>1,087,636</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,033,785</b>	<b>\$ 10,783,190</b>

*The notes to the basic financial statements are an integral part of this statement.*

Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,768,119	\$ 7,551	\$ 2,569,350	\$ 37,669,833
-	31,830,243	-	31,830,243
58,993	54,124	-	861,824
4,311,000	3,836,000	-	61,321,000
13,972	6,024	8,244	1,379,741
253	-	-	4,637,930
-	-	-	416,914
-	-	-	158,181
-	-	-	5,182
<u>\$ 9,152,337</u>	<u>\$ 35,733,942</u>	<u>\$ 2,577,594</u>	<u>\$ 138,280,848</u>

\$ 474,499	\$ -	\$ 264,322	\$ 16,416,949
-	-	-	1,175,826
57,311	-	16,962	76,284
4,311,000	3,836,000	-	61,321,000
159,813	-	-	1,103,052
<u>5,002,623</u>	<u>3,836,000</u>	<u>281,284</u>	<u>80,093,111</u>

1,281,405	-	280,000	3,429,882
-	-	-	158,181
-	-	-	5,182
-	-	-	188,074
-	-	1,173,055	1,173,055
-	-	-	16,545,221
2,868,309	-	843,255	4,790,200
-	31,897,942	-	31,897,942
<u>4,149,714</u>	<u>31,897,942</u>	<u>2,296,310</u>	<u>58,187,737</u>
<u>\$ 9,152,337</u>	<u>\$ 35,733,942</u>	<u>\$ 2,577,594</u>	<u>\$ 138,280,848</u>

**Cedar Rapids Community School District  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2006**

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

**Total fund balance - governmental funds (page 53) \$ 58,187,737**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	122,415,361	
Accumulated depreciation is	<u>54,206,715</u>	68,208,646

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	70,710,000	
Capital loans payable	325,000	
Accrued interest on long-term debt	597,025	
Compensated absences (vacations)	1,458,526	
Special termination benefits payable	<u>8,353,697</u>	(81,444,248)

**Total net assets - governmental activities (page 48) \$ 44,952,135**

*The notes to the basic financial statements are an integral part of this statement.*

**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

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

**Year ended June 30, 2006**

	General	Management	Physical Plant and Equipment Levy	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local sources:						
Local Taxes	\$ 50,555,395	\$ 6,475,609	\$ 3,985,918	\$ 3,667,686	\$ -	\$ 64,684,608
Tuition	5,073,800	-	-	-	-	5,073,800
Other local sources	6,201,669	182,413	426,341	266,667	4,782,974	11,860,064
State sources	80,587,466	4,692	2,924	2,690	-	80,597,772
Federal sources	6,194,645	-	25,225	-	-	6,219,870
<b>Total Revenues</b>	<b>148,612,975</b>	<b>6,662,714</b>	<b>4,440,408</b>	<b>3,937,043</b>	<b>4,782,974</b>	<b>168,436,114</b>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular instruction	45,872,090	2,745,498	-	-	-	48,617,588
Special instruction	47,154,485	191,811	-	-	-	47,346,296
Vocational instruction	1,028,230	-	-	-	-	1,028,230
Other instruction	2,455,572	-	22,033	-	4,759,348	7,236,953
<b>Total instruction</b>	<b>96,510,377</b>	<b>2,937,309</b>	<b>22,033</b>	<b>-</b>	<b>4,759,348</b>	<b>104,229,067</b>
Support Services:						
Student services	4,403,381	3,854	-	-	-	4,407,235
Instruction staff services	6,852,994	94,726	-	-	-	6,947,720
General administration services	2,513,730	171,033	-	-	-	2,684,763
School administration services	9,207,112	728,126	-	-	-	9,935,238
Business services	4,578,888	19,415	502	1,999	-	4,600,804
Operations and maintenance	13,358,023	967,037	116,265	-	-	14,441,325
Student transportation	2,524,208	220,176	111,060	-	-	2,855,444
<b>Total support services</b>	<b>43,438,336</b>	<b>2,204,367</b>	<b>227,827</b>	<b>1,999</b>	<b>-</b>	<b>45,872,529</b>
Non-instructional programs:						
Food service	-	124,903	-	-	-	124,903
Community services	2,496,242	2,842	-	-	-	2,499,084
<b>Total non-instructional programs</b>	<b>2,496,242</b>	<b>127,745</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,623,987</b>
Other expenditures:						
Debt Service:						
Principal	-	-	-	2,210,000	-	2,210,000
Interest	-	-	-	2,021,843	-	2,021,843
Capital Outlay:						
Facilities acquisition	-	-	2,419,344	-	534,913	2,954,257
Other support services	5,527,722	-	-	-	-	5,527,722
<b>Total other expenditures</b>	<b>5,527,722</b>	<b>-</b>	<b>2,419,344</b>	<b>4,231,843</b>	<b>534,913</b>	<b>12,713,822</b>
<b>Total Expenditures</b>	<b>147,972,677</b>	<b>5,269,421</b>	<b>2,669,204</b>	<b>4,233,842</b>	<b>5,294,261</b>	<b>165,439,405</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>640,298</b>	<b>1,393,293</b>	<b>1,771,204</b>	<b>(296,799)</b>	<b>(511,287)</b>	<b>2,996,709</b>
<b>Other Financing Sources (Uses):</b>						
Refunding debt issued	-	-	-	31,385,000	-	31,385,000
Premium on bonds	-	-	-	753,774	-	753,774
Payment to refunding escrow agent	-	-	-	(300,709)	-	(300,709)
Transfers in	1,726,069	-	49,026	330,580	-	2,105,675
Transfers out	(379,606)	(52,480)	(1,441,712)	-	(120)	(1,873,918)
<b>Total Other Financing Sources (Uses)</b>	<b>1,346,463</b>	<b>(52,480)</b>	<b>(1,392,686)</b>	<b>32,168,645</b>	<b>(120)</b>	<b>32,069,822</b>
<b>Net Change in Fund Balances</b>	<b>1,986,761</b>	<b>1,340,813</b>	<b>378,518</b>	<b>31,871,846</b>	<b>(511,407)</b>	<b>35,066,531</b>
Fund balances (deficits) at beginning of year	16,769,374	(253,177)	3,771,196	26,096	2,807,717	23,121,206
Fund balances at end of year	\$ 18,756,135	\$ 1,087,636	\$ 4,149,714	\$ 31,897,942	\$ 2,296,310	\$ 58,187,737

The notes to the basic financial statements are an integral part of this statement.



**Cedar Rapids Community School District  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Government-wide Statement of Activities  
Year Ended June 30, 2006**

**Total net change in fund balances - governmental funds (page 55) \$ 35,066,531**

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, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

	Capital outlays	\$ 14,653,568		
	Construction in progress completed	(11,697,758)		
	Depreciation expense	<u>(2,843,554)</u>		112,256

In the statement of activities, certain operating expenses--compensated absences (vacations) and special termination benefits (early retirement)--are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits earned (\$2,774,852) was greater than the amounts paid (\$1,803,327) by \$971,525. Vacation earned (\$1,458,526) was less than the amounts paid (\$1,477,985) by \$19,459.

(952,066)

Proceeds from the sale of equipment is reported in the governmental funds (\$-0-), however in the statement of activities it is netted against the book value of the assets being deleted and reported as a loss on sale of capital assets (\$16,259).

(16,259)

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 liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

	Issued	(31,385,000)		
	Repaid	<u>2,210,000</u>		(29,175,000)

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 it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest on bonds increased by \$430,912.

(430,912)

**Change in net assets - governmental activities (page 49) \$ 4,604,550**

*The notes to the basic financial statements are an integral part of this statement.*

**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets  
Proprietary Fund**

**As of June 30, 2006**

	Business-Type Activity
	Nutrition Services
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 1,576,416
Other receivables	63,177
Due from other governments	42,660
Inventories - supplies and materials	134,745
Total current assets	<u>1,816,998</u>
Noncurrent Assets:	
Furniture and equipment (net)	462,850
<b>Total assets</b>	<u><u>2,279,848</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable and accrued items	37,184
Due to other funds	340,630
Unearned revenue	94,567
<b>Total liabilities</b>	<u><u>472,381</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	462,850
Unrestricted	1,344,617
<b>Total net assets</b>	<u><u>\$ 1,807,467</u></u>

*The notes to the basic financial statements are an integral part of this statement.*

**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund**

**For the Year ended June 30, 2006**

	Business-Type Activity
	Nutrition Services
	<hr/>
<b>Operating revenues:</b>	
Local sources	\$ 3,429,126
<b>Total operating revenues:</b>	<hr/> 3,429,126 <hr/>
<b>Operating expenses:</b>	
Payroll costs	3,146,243
Purchased services	71,264
Supplies and materials	2,982,287
Depreciation	81,350
<b>Total operating expenses</b>	<hr/> 6,281,144 <hr/>
<b>Operating loss</b>	<hr/> (2,852,018) <hr/>
<b>Nonoperating revenues:</b>	
State sources	76,461
Federal sources	3,294,524
Interest income	59,219
<b>Total nonoperating revenues</b>	<hr/> 3,430,204 <hr/>
<b>Income before transfers</b>	578,186
<b>Transfers out</b>	<hr/> (231,757) <hr/>
Change in net assets	346,429
Net assets beginning of year	<hr/> 1,461,038 <hr/>
Net assets end of year	<hr/> \$ 1,807,467 <hr/> <hr/>

*The notes to the basic financial statements are an integral part of this statement.*

**CEDAR RAPIDS COMMUNITY SCHOOL DISTRICT**

**Statement of Cash Flows**

**Proprietary Fund**

**For the Year ended June 30, 2006**

	Business-Type Activity
	Nutrition Services
<b>Cash Flows from Operating Activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 3,195,604
Cash received from services	195,601
Cash received from miscellaneous operating activities	49,196
Cash payments to employees for services	(2,930,727)
Cash payments to suppliers for good and services	(2,669,961)
Net cash used in operating activities	(2,160,287)
<b>Cash Flows from Non-Capital Financing Activities:</b>	
State lunch and breakfast reimbursements	85,867
Federal lunch and breakfast reimbursements	2,909,008
Transfers to other funds	(231,757)
Net cash provided by non-capital financing activities	2,763,118
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(92,324)
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	57,247
Net increase in cash and cash equivalents	567,754
Cash and cash equivalents at beginning of year	1,008,662
Cash and cash equivalents at end of year	\$ 1,576,416
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,852,018)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	81,350
Loss on disposal of assets	1,287
Commodities consumed	395,749
Changes in assets and liabilities:	
Decrease in receivables, net	5,123
Increase in inventories	(18,084)
Increase in accounts payable and accrued expenses	933
Increase in due to other funds	219,221
Increase in deferred revenues	6,152
Net cash used in operating activities	\$ (2,160,287)
<b>Non-Cash Investing, Capital and Financing Activities:</b>	
During the year ended June 30, 2006, the District received federal commodities valued at \$381,696.	

*The notes to the basic financial statements are an integral part of this statement.*

## **Cedar Rapids Community School District**

### **Notes to the Financial Statements**

**June 30, 2006**

#### **1. Summary of Significant Accounting Policies**

The Cedar Rapids Community School District (the "District") is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve with a student enrollment of 17,500. 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 Cedar Rapids, Bertram, Hiawatha, Palo, Robins and portions of Marion, Iowa. The District is governed by a Board of Directors whose members are elected on a nonpartisan basis.

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

#### **A. Reporting Entity**

For financial reporting purposes, the 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 GASB 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 District has no component units that meet the GASB criteria, and is not a component unit for another entity.

#### **B. Basis of Presentation**

##### **Government-wide Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used

# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### B. Basis of Presentation (continued)

have not been eliminated during the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### B. Basis of Presentation (continued)

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, 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 nonmajor governmental funds.

The District reports the following major governmental funds:

The *general fund* is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The *management fund* accounts for the resources accumulated and payments made for property insurance, fidelity bonds, worker compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

The *physical, plant and equipment levy fund* accounts for the resources accumulated and payments made for the purchase and improvement of grounds; purchase of buildings; major repairs, remodeling, reconstructing, improving or expanding the schoolhouses or buildings; expenditures for energy conservation; and for equipment purchases which must be equal to or greater than \$1,500 in unit value. The purchase of transportation vehicles qualify under the law.

The *debt service fund* is utilized to account for the payment of interest and principal on the District's general long term-debt.

# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### B. Basis of Presentation (continued)

The District reports the following major proprietary fund:

The *nutrition services fund* is used to account for the food service operations of the District. Proprietary funds are used to account for activities similar to those found in private industry, where the determination of net income is necessary or useful to provide sound financial administration.

Additionally, the District reports the following fund type:

The *agency fund* is used to account for assets held by the District as an agent for private donations from individuals. These donations are to be used for specific purposes, such as scholarships. The agency fund is custodial in nature; assets equal liabilities, and do 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 taxes are recognized as revenues in the year for which they are 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, 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.



# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

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

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

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

#### D. Cash, Cash Equivalents and Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### D. Cash, Cash Equivalents and Investments (continued)

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

#### E. Property Taxes Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 1.5% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

#### F. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent that certain transfers between funds had not been received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**Cedar Rapids Community School District**

**Notes to the Financial Statements**

**June 30, 2006**

**1. Summary of Significant Accounting Policies (continued)**

**G. 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.

**H. Inventories**

Inventories of the General Fund are stated at the moving average cost for purchased items and are accounted for using the consumption method, whereby inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. Reported inventories in the General Fund are offset by a fund balance reserve which indicates these assets are unavailable for appropriation even though they are a component of reported assets.

Inventories of the Nutrition Services Fund are valued at cost using the first-in, first-out method for purchased items and government commodities.

**I. Capital Assets**

Capital assets, which included property, furniture and equipment are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

The District defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Furniture	20
Kitchen equipment	15
Office/school equipment	10
Vehicles	8
Computer equipment	5

# **Cedar Rapids Community School District**

## **Notes to the Financial Statements**

**June 30, 2006**

### **1. Summary of Significant Accounting Policies (continued)**

#### **J. Salaries and Benefits Payable**

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

#### **K. Deferred Revenue**

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

Deferred revenue in 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.

#### **L. 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. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

#### **M. 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.

# Cedar Rapids Community School District

## Notes to the Financial Statements

June 30, 2006

### 1. Summary of Significant Accounting Policies (continued)

#### N. Fund Equity

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

#### O. 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 (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### P. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

### 2. Deposits and Investments

The District's deposits in banks at June 30, 2006 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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

**Cedar Rapids Community School District**

**Notes to the Financial Statements**

**June 30, 2006**

**2. Deposits and Investments (continued)**

During the year ended June 30, 2006, the District invested primarily in savings accounts, which are considered cash equivalents. The U.S. Treasury securities are stated at fair value.

The District's investments at June 30, 2006 are as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 31,830,243</u>

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

**3. Due from Government Agencies**

The following amounts are due to the General Fund of the District by various local, state and federal government agencies at June 30, 2006:

Tuition from other districts	\$1,888,746
IDEA part B grant	523,572
Title I program	405,431
Non-public transportation	329,964
Foster care/district court claim	277,207
Perkins grant	125,329
Other	<u>1,087,428</u>
	<u>\$4,637,677</u>

**Cedar Rapids Community School District**

**Notes to the Financial Statements**

**June 30, 2006**

**4. Interfund Receivables and Payables**

As of June 30, 2006 interfund receivables and payables were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 416,914	\$ -
Management Fund	-	2,011
Physical Plant and Equipment Levy Fund	-	57,311
Student Activity Fund	-	16,962
Total Governmental Funds	416,914	76,284
Nutrition Services Fund	-	340,630
Total All Funds	\$ 416,914	\$ 416,914

The interfund balances relate to expenditures initially paid from the General Fund for supplies and payroll costs, which need to be reimbursed by other proprietary and governmental funds. All balances will be repaid by June 30, 2007.

**5. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Food & Nutrition Fund	\$ 231,757
General Fund	Management Fund	52,480
General Fund	Physical Plant and Equipment Levy Fund	1,441,712
General Fund	Capital Projects Fund	120
Physical Plant and Equipment Levy Fund	General Fund	49,026
Debt Service Fund	General Fund	330,580
		\$ 2,105,675

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

## Cedar Rapids Community School District

### Notes to the Financial Statements

June 30, 2006

#### 6. Capital Assets

Capital asset balances and activity for the year ended June 30, 2006 were as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,429,345	\$ 31,858	\$ -	\$ 8,461,203
Construction in progress	18,797,828	598,893	(11,697,758)	7,698,963
Total capital assets, not being depreciated	<u>27,227,173</u>	<u>630,751</u>	<u>(11,697,758)</u>	<u>16,160,166</u>
Capital assets, being depreciated:				
Buildings and improvements	68,784,478	12,252,541	-	81,037,019
Furniture and equipment	16,151,250	1,625,823	(395,199)	17,381,874
Vehicles	7,769,249	144,453	(77,400)	7,836,302
Total capital assets being depreciated	<u>92,704,977</u>	<u>14,022,817</u>	<u>(472,599)</u>	<u>106,255,195</u>
Less accumulated depreciation for:				
Buildings and improvements	33,659,315	1,586,715	(11,102)	35,234,928
Furniture and equipment	12,895,607	709,137	(366,386)	13,238,358
Vehicles	5,264,579	547,702	(78,852)	5,733,429
Total accumulated depreciation	<u>51,819,501</u>	<u>2,843,554</u>	<u>(456,340)</u>	<u>54,206,715</u>
Total capital assets, being depreciated, net	<u>40,885,476</u>	<u>11,179,263</u>	<u>(16,259)</u>	<u>52,048,480</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 68,112,649</u></u>	<u><u>\$ 11,810,014</u></u>	<u><u>\$ (11,714,017)</u></u>	<u><u>\$ 68,208,646</u></u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 2,615,573	\$ 92,324	\$ (26,161)	\$ 2,681,736
Less accumulated depreciation:	2,162,410	81,350	(24,874)	2,218,886
<b>Business-type activities capital assets, net</b>	<u><u>\$ 453,163</u></u>	<u><u>\$ 10,974</u></u>	<u><u>\$ (1,287)</u></u>	<u><u>\$ 462,850</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 755,672
Instructional staff services	97,268
General administration services	3,365
School administration services	7,273
Business services	90,100
Operations & maintenance	396,555
Student transportation	438,674
Facilities acquisition/construction	1,054,647
<b>Total</b>	<u><u>\$ 2,843,554</u></u>

During 1995, the District completed an inventory of its capital assets, including the property and equipment held by the Nutrition Services Fund. The District used the historical cost of the capital asset, if available, or estimated a historical cost using industry back trending factors. Approximately \$13.1 million of the total historical cost balance was estimated.



**Cedar Rapids Community School District**

**Notes to the Financial Statements**

**June 30, 2006**

**7. Bonded and Other Long-Term Liabilities**

Long-term liability balances and activity for the year ended June 30, 2006 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds payable:					
General obligation debt	\$ 41,225,000	\$ -	\$ (1,900,000)	\$ 39,325,000	\$ 1,925,000
School refunding bonds	-	31,385,000	-	31,385,000	-
Other liabilities:					
Compensated absences	1,477,985	1,458,526	(1,477,985)	1,458,526	1,458,526
Early retirement pay	7,382,172	2,774,852	(1,803,327)	8,353,697	3,452,210
Capital loan payable	635,000	-	(310,000)	325,000	325,000
Total long-term liabilities	<u>\$ 50,720,157</u>	<u>\$ 35,618,378</u>	<u>\$ (5,491,312)</u>	<u>\$ 80,847,223</u>	<u>\$ 7,160,736</u>

In previous years, the Management Fund (for early retirement pay) and General Fund (for compensated absences) typically have been used to liquidate long-term liabilities other than debt.

Early Retirement

The District offers a voluntary early retirement plan to its certified and administrative employees. Certified employees who have completed at least 20 years of service and who are at least 55 years of age shall be eligible. Employees will be allowed benefits upon submission of a written resignation accepted by Human Resources by February 1 of the current contract year. The early retirement incentive for each eligible certified employee is equal to an amount representing 105 days' pay calculated by using the current year basic salary schedule, subject to a proration formula by age. During the year ended June 30, 2004 there was an enhancement to the normal plan, with an additional payment for unused days of accrued sick leave of \$100 per day, up to a maximum of 100 days for certified employees.

## Cedar Rapids Community School District

### Notes to the Financial Statements

June 30, 2006

#### 7. Bonded and Other Long-Term Liabilities (continued)

##### Early Retirement (continued)

The District will pay eligible employees an early retirement benefit to be contributed by the district directly to a tax-sheltered annuity owned by the employee and qualifying under section 403(b) of the Internal Revenue Code of 1986, as amended. An employee may choose to receive the accumulated days' salary in equal annual installments spread out over three to five years beginning in October of the same year following early separation.

Administrators age 55 through 65 whose age plus years of service with the District totals 75 shall be eligible for early retirement pay. Administrators will be allowed benefits upon submission of a written resignation accepted by the Board of Directors. The early retirement incentive for each eligible administrative employee is equal to an amount representing 195 days' pay. The daily rate of pay shall be the administrator's contract salary in effect during the last full year of employment. During the year ended June 30, 2004 there was an enhancement to the normal plan, with an additional payment for unused days of accrued sick leave of \$100 per day, up to a maximum of 100 days for administrators.

The District will pay eligible employees an early retirement benefit to be contributed by the district directly to a tax-sheltered annuity owned by the employee and qualifying under section 403(b) of the Internal Revenue Code of 1986, as amended. An administrator may choose to receive the accumulated days' salary in equal annual installments spread out over four or five years beginning in October of the same year following early separation.

Early retirement benefits paid during the year ended June 30, 2006 totaled \$1,803,327 of which the Management Fund paid \$1,694,056 and the General Fund paid \$109,271. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Management and General Funds. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement benefits.

**Cedar Rapids Community School District**

**Notes to the Financial Statements**

**June 30, 2006**

**7. Bonded and Other Long-Term Liabilities (continued)**

Bonded Debt

On March 1, 2006, the District issued \$31,385,000 of general obligation refunding bonds, with interest rates ranging from 3.75% to 5.00%, for a crossover refunding of a portion of the general obligation bonds issued February 1, 2001 and January 1, 2002. The District entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. securities. These securities were placed in an escrow account for the express purpose of paying the \$31,575,000 principal on the refunded general obligation bonds when they become callable on June 1, 2009 and June 1, 2010 and the interest on the refunding bonds. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$1,479,940 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,009,459.

Details of the District's June 30, 2006 bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 2,250,000	\$ 3,568,506	\$ 5,818,506
2008	2,050,000	3,137,998	5,187,998
2009	2,075,000	3,041,373	5,116,373
2010	2,705,000	2,943,260	5,648,260
2011	4,715,000	2,819,773	7,534,773
2012-2016	26,240,000	10,861,413	37,101,413
2017-2021	<u>31,000,000</u>	<u>4,235,050</u>	<u>35,235,050</u>
Totals	<u>\$ 71,035,000</u>	<u>\$ 30,607,373</u>	<u>\$ 101,642,373</u>

As of June 30, 2006 the District did not exceed its legal debt margin of \$211,956,399.

## **Cedar Rapids Community School District**

### **Notes to the Financial Statements**

**June 30, 2006**

#### **8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$5,994,041, \$5,601,896 and \$5,552,662 respectively, equal to the required contribution for each year.

#### **9. Post-Employment Benefits Other Than Pension Benefits**

The District provides two types of post-employment benefits other than pension benefits: health insurance and life insurance. These benefits are provided to qualified employees under collective bargaining agreements and are financed and accounted for on a pay-as-you-go-basis. Therefore, no liability has been actuarially determined or provided for in the financial statements.

##### **Health Insurance**

For the employee groups of teachers, administrators, supervisor/technicians, confidential secretaries, custodial/maintenance, food service and secretary/clerical, the District provides for health insurance coverage under contract provisions for those electing early retirement. The District pays the premium amount specified in the individual contracts on the date of separation.

##### **Administrators**

An administrator electing early retirement shall continue to receive health insurance coverage, not to exceed the cost of the premium on the date of separation of the Alliance Select Standard family plan. Coverage shall cease when the retired employee reaches age 65, secures other employment covered by a health insurance program or dies. When an administrator who has elected early separation reaches age 65, his/her spouse shall continue to receive the premium for a period not to exceed three years or age 65. The spouse of an

## **Cedar Rapids Community School District**

### **Notes to the Financial Statements**

**June 30, 2006**

#### **9. Post-Employment Benefits Other Than Pension Benefits (continued)**

administrator who has elected early retirement or has attained eligibility for early retirement, shall, upon death of the administrator, continue to receive health insurance until the date the deceased administrator would have reached age 65. In no instance shall the spouse continue to receive health insurance for a period longer than ten years. For the year ended June 30, 2006 the District recognized \$173,525 in expenditures for 26 former employees.

##### **Teachers**

For a certified employee electing early retirement, the District shall continue to pay the premium for the elected health coverage selected on the date of early separation. Coverage shall cease when the retired employee reaches age 65, secures other employment or dies. For the year ended June 30, 2006, the District recognized \$1,249,200 in expenditures for 267 former employees.

##### **Supervisors/Technicians/Confidential Secretaries**

For an employee electing early retirement, the District shall continue to pay the premium for the elected health coverage, in an amount not to exceed the premium for the Alliance Select Standard plan on the date of early separation. Coverage shall cease when the retired employee reaches age 65, secures other employment covered by a health insurance program or dies. For the year ended June 30, 2006 the District recognized \$17,480 in expenditures for 3 former employees.

##### **Custodial/Maintenance/Food Service/Secretary/Clerical**

Employees who separate from the District before becoming eligible for Medicare shall have the option to continue participation in the District's health insurance plan. The employee must be at least age 55 and must have completed at least 20 years of service with the District. The District will pay the cost of the premium specified in the individual group contracts. Coverage shall cease when the retired employee reaches age 65, secures other employment covered by a health insurance program or dies. For the year ended June 30, 2006 the District recognized \$89,691 in expenditures for 26 former employees.

## **Cedar Rapids Community School District**

### **Notes to the Financial Statements**

**June 30, 2006**

#### **9. Post-Employment Benefits Other Than Pension Benefits (continued)**

##### **Life Insurance**

An administrator electing early retirement as provided above shall continue to receive life insurance coverage and an accidental death and dismemberment benefit of \$100,000 until the administrator secures other employment covered by a life insurance program or reaches age 65. For the year ended June 30, 2006, 25 administrators had qualified under this provision, with the District recognizing \$4,658 in expenditures.

#### **10. Construction Contractual Commitments**

Total outstanding contractual commitments for construction projects at June 30, 2006 for the Physical, Plant and Equipment Levy Fund was \$597,680 and for the Capital Projects Fund was \$331,239.

#### **11. 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. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **12. 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 Grant Wood Area Education Agency. The District's actual amount for this purpose totals \$5,527,722 for the year ended June 30, 2006. The District's budgeted and actual share is included in these financial statements.

## **Cedar Rapids Community School District**

### **Notes to the Financial Statements**

**June 30, 2006**

#### **13. New Pronouncements**

The District adopted Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, issued November 2003, during the year ended June 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

The District adopted GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004, during the year ended June 30, 2006. The Statement improves the understandability and usefulness of the statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

As of June 30, 2006, the Governmental Accounting Standards Board had issued the following statements not yet implemented by the District. The Statements, which may impact the District, are as follows:

Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued April 2004, will be effective for the District beginning with its year ending June 30, 2007. The Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB) and supercedes existing guidance.

Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 30, 2004, will be effective for the District beginning with its year ending June 30, 2008. The Statement requires governments to report any liability associated with providing employees benefits other than pensions subsequent to their employment with the District that have not been fully funded.

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

## Required Supplementary Information



## **Cedar Rapids Community School District**

### **Notes to Required Supplementary Information – Budgetary Reporting**

Year ended June 30, 2006

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

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds as a whole 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 a GAAP basis. Appropriations lapse at fiscal year-end and then are reappropriated for the next year, if necessary.

Around January 15 of each year, all departments of the District must submit budget requests to the Executive Director of Business Services so that the budget for the next fiscal year may be prepared. The budget is prepared by fund, function, program, object and facility and is presented in the 2005-06 Budget document. The 2005-06 Budget also includes information on the past year, current year estimates, requested appropriations for the next fiscal year and the number of full-time equivalent personnel available to be utilized next year.

Before March 1, the proposed budget is presented to the Board of Directors for review. The Board of Directors holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. The budget must be adopted by an affirmative vote of a majority of the Board of Directors by April 15.

Once adopted, the budget can be amended through the same process, with all budget amendments to be completed by May 31 of the budget year affected. For 2005-2006, amendments increased the instructional functional area by \$3,268,959, total support services by \$1,720,978 and the non-instructional programs by \$1,158,602. These increases all relate to wage settlements that were higher than initially projected by the District. Total other expenditures was increased by \$2,373,394 for facilities construction costs. The budgetary data presented in the required supplementary information reflect all approved budget amendments.

## **Cedar Rapids Community School District**

### **Notes to Required Supplementary Information – Budgetary Reporting**

Year ended June 30, 2006

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

During the year, expenditures in the support services function exceeded the amount budget by \$443,392.

The District utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods and services that have not been received or rendered are recorded to reserve that portion of the applicable fund balances. Encumbrances of \$1,859,477 in the General Fund, \$9,000 in the Management Fund, \$1,281,405 in the Physical Plant and Equipment Levy Fund and \$280,000 in the Capital Projects Fund were carried forward to fiscal year 2006-2007.

## **Supplemental Information**

## **Cedar Rapids Community School District**

### **General Fund**

The General Fund accounts for all revenues and expenditures traditionally associated with government, which are not required legally or by sound financial management to be accounted for in other funds.

The District's General Fund is the operating fund that is used to account for most of the instructional and administrative aspects of the District's operations. The Fund's revenue consists primarily of local property taxes, and state and federal government aid.

# **Cedar Rapids Community School District**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

#### **Student Activity Fund**

This fund accounts for the funds raised by student groups. Under state law the Board retains responsibility for the Student Activity Fund's ultimate disposition.

### **Capital Projects Funds**

#### **Capital Projects Fund**

This fund accounts for the resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

## **Cedar Rapids Community School District**

### **Capital Assets Used in the Operation of Governmental Funds**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The following schedules include the information previously reported in the general fixed assets account group.

## **Statistical Section**

## **Internal Controls and Compliance Section**