

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Council Bluffs Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 election)		
Marvin Arnpriester	President	2004
Bobette Behrens	Vice President	2005
Marilyn Heider	Board Member	2004
Gina Malloy	Board Member	2005
Mark Peterson	Board Member (Resigned)	2006
Tim Wickman	Board Member (Appointed)	2004
Pam Collins	Board Member	2006
Mark McGee	Board Member	2006
Board of Education (After September 2004 election)		
Bobette Behrens	President	2005
Gina Malloy	Vice President	2005
Mark McGee	Board Member	2006
Marvin Arnpriester	Board Member	2007
Dave Coziah	Board Member	2007
Pam Collins	Board Member (Resigned)	2006
Melanie Bates	Board Member (Appointed)	2005
Francis Clark	Board Member (Resigned)	2007
Mark Brandenburg	Board Member (Appointed)	2005
School Officials		
Richard Christie	Superintendent	2005
Greg Rodgers	District Secretary/ Treasurer and Executive Director of Finance	2005

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Council Bluffs Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Council Bluffs Community School District, Council Bluffs, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our reports dated October 13, 2005 on our consideration of the Council Bluffs Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Council Bluffs Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increase from \$70,504,407 in fiscal 2004 to \$72,551,587 in fiscal 2005, while General Fund expenditures increased from \$71,704,248 in fiscal 2004 to \$72,566,642 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$3,307,119 in fiscal 2004 to \$3,292,064 in fiscal 2005, a .46% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2005. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement, open enrollment and special education tuition was more than the District's increase in General Fund revenue for fiscal 2005. As a result, the District's fund balance decreased.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$130,012 in fiscal year 2004 to \$386,936 in fiscal year 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

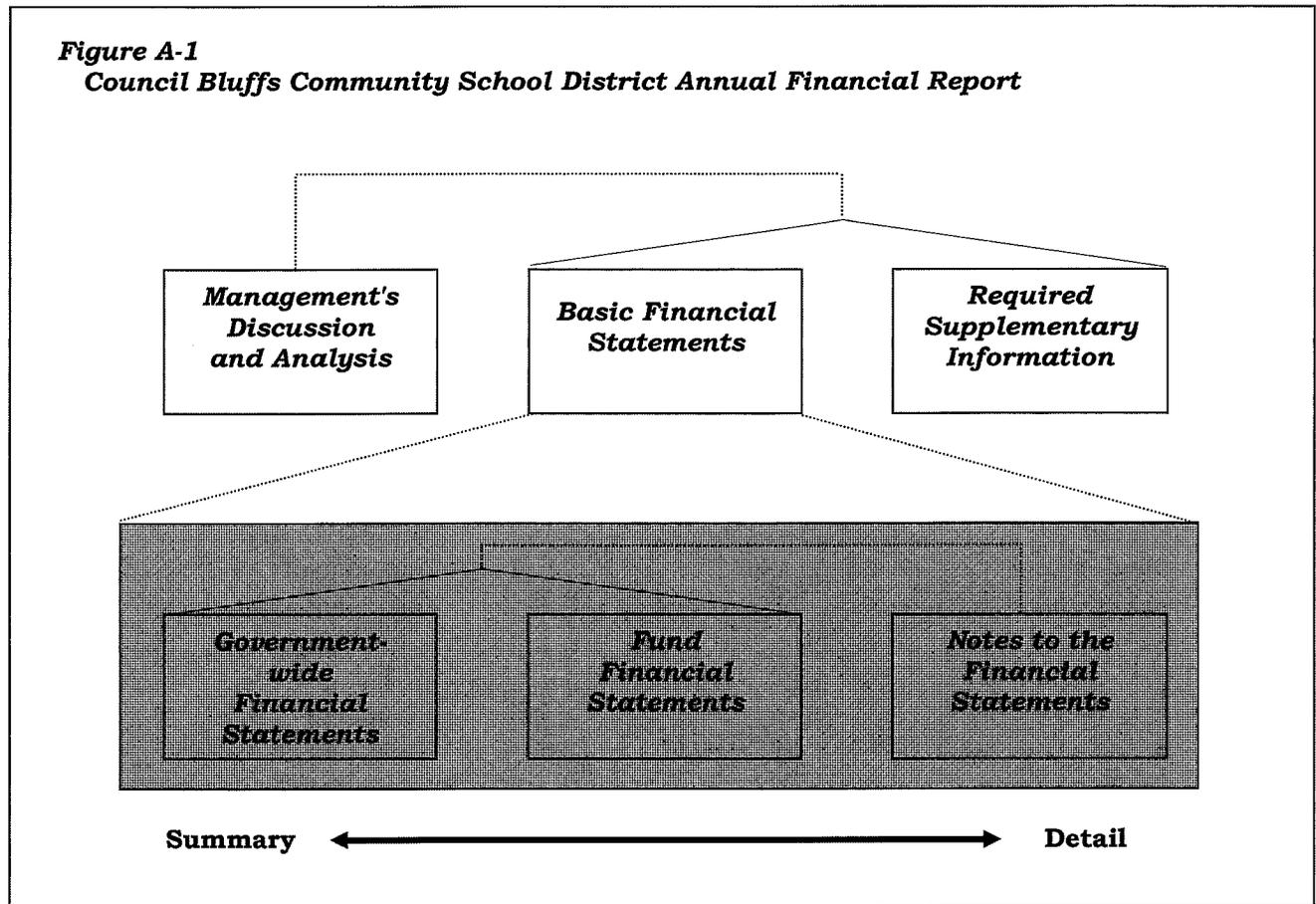


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 54,329,392	49,420,473	838,067	839,957	55,167,459	50,260,430	9.76%
Capital assets	35,289,073	32,851,191	180,045	96,443	35,469,118	32,947,634	7.65%
Total assets	89,618,465	82,271,664	1,018,112	936,400	90,636,577	83,208,064	8.93%
Long-term obligations	9,966,800	10,799,429	0	0	9,966,800	10,799,429	-7.71%
Other liabilities	38,900,193	37,715,404	192,844	174,956	39,093,037	37,890,360	3.17%
Total liabilities	48,866,993	48,514,833	192,844	174,956	49,059,837	48,689,789	0.76%
Net assets:							
Invested in capital assets, net of related debt	26,228,795	29,936,587	180,045	96,443	26,408,840	30,033,030	-12.07%
Restricted	11,611,390	747,334	0	0	11,611,390	747,334	1453.71%
Unrestricted	2,911,287	3,072,910	645,223	665,001	3,556,510	3,737,911	-4.85%
Total net assets	\$ 40,751,472	33,756,831	825,268	761,444	41,576,740	34,518,275	20.45%

The District's combined net assets increased by 20.45%, or \$7,058,465, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$10,864,056, or 1,453.71% over the prior year. The increase was primarily a result of how the District stated the fund balance in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$181,401, or 4.85%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance which occurred during the year, as well as classification of liabilities to be paid from General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	June 30,		June 30,		June 30,		
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 4,453,364	4,887,085	1,091,718	1,188,173	5,545,082	6,075,258	-8.73%
Operating grants and contributions and restricted interest	11,580,505	12,015,121	2,134,210	1,899,158	13,714,715	13,914,279	-1.43%
Capital grants and contributions and restricted interest	0	519,713	0	0	0	519,713	-100.00%
General revenues:							
Property tax	22,591,453	21,517,552	0	0	22,591,453	21,517,552	4.99%
Local option sales and services tax	6,966,795	6,504,397	0	0	6,966,795	6,504,397	7.11%
Unrestricted state grants	38,845,209	37,291,829	0	0	38,845,209	37,291,829	4.17%
Other	570,638	197,606	11,730	6,731	582,368	204,337	185.00%
Total revenues	85,007,964	82,933,303	3,237,658	3,094,062	88,245,622	86,027,365	2.58%
Program expenses:							
Governmental activities:							
Instructional	52,242,247	52,070,368	0	0	52,242,247	52,070,368	0.33%
Support services	20,012,827	19,654,512	0	0	20,012,827	19,654,512	1.82%
Non-instructional programs	0	13,282	3,173,834	2,901,574	3,173,834	2,914,856	8.88%
Other expenses	5,758,249	4,748,208	0	0	5,758,249	4,748,208	21.27%
Total expenses	78,013,323	76,486,370	3,173,834	2,901,574	81,187,157	79,387,944	2.27%
Changes in net assets	6,994,641	6,446,933	63,824	192,488	7,058,465	6,639,421	6.31%
Beginning Net Assets	33,756,831	27,309,898	761,444	568,956	34,518,275	27,878,854	23.82%
Ending Net Assets	\$ 40,751,472	33,756,831	825,268	761,444	41,576,740	34,518,275	20.45%

Property tax, local option sales and services tax and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

Revenues: The overall increase in revenues is based on increases in property tax, one-cent option sales tax, state grants and interest income. We showed reductions in capital construction grants and open enrollment tuition.

Expenditures: General Fund expenditures were more than last year, due to the increases in employee salaries and benefit costs and increased special education and open enrollment tuition. The overall increase in expenditures is the result of principal payments moved to a long-term basis and the adjustment of construction expense to construction in progress basis.

Governmental Activities

Revenue for governmental activities were \$85,007,964 and expenses were \$78,013,323.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 52,242,247	39,093,078
Support services	20,012,827	19,912,089
Non-instructional programs	0	0
Other expenses	5,758,249	2,974,287
Totals	<u>\$ 78,013,323</u>	<u>61,979,454</u>

- The cost financed by users of the District's programs was \$4,453,364.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$11,580,505.
- The net cost of governmental activities was financed with \$22,591,453 in property tax, \$6,966,795 in local option sales and services tax, \$38,845,209 in state foundation aid and \$570,638 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$3,237,658 and expenses were \$3,173,834. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$15,461,962, above last year's ending fund balances of \$11,740,727. However, the primary reason for the increase was in the Capital Projects Fund due to the increase in local option sales and services tax revenue and the decrease in capital construction expenditures.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was offset by the District's increase in General Fund expenditures, resulting in a fund balance decrease from \$3,307,119 to \$3,292,064.
- The Capital Projects Fund balance increased from \$5,908,121 to \$9,891,628, due in part to the increase in local option sales and services tax revenues and the decrease in capital construction expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$761,444 at June 30, 2004 to \$825,268 at June 30, 2005, representing an increase of 8.38%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,729,080 more than budgeted revenues, a variance of 3.19%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$35.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 7.65% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,982,265.

The original cost of the District's capital assets was \$60.3 million. Governmental funds account for \$59.3 million with the remainder of \$1.0 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and land improvements category. The District's buildings and land improvements totaled \$30,035,589 at June 30, 2005, compared to \$23,122,419 reported at June 30, 2004. This increase resulted from the use of local option sales and services tax for capital improvements capitalized and completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 1,426,065	1,426,065	0	0	1,426,065	1,426,065	0.00%
Construction in progress	3,674,525	8,022,137	0	0	3,674,525	8,022,137	-54.20%
Buildings and land improvements	30,035,589	23,122,419	0	0	30,035,589	23,122,419	29.90%
Machinery and equipment	152,894	280,570	180,045	96,443	332,939	377,013	-11.69%
Total	\$ 35,289,073	32,851,191	180,045	96,443	35,469,118	32,947,634	7.65%

Long-Term Debt

At June 30, 2005, the District had \$9,966,800 in general obligation and other long-term debt outstanding. This represents a decrease of 7.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$9,640,000 at June 30, 2005.

The District had outstanding Asbestos Notes payable of \$10,162 at June 30, 2005.

The District had outstanding National School Fitness Loan indebtedness at June 30, 2005 of \$87,909.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2005	2004	2004-05
General Obligation Bonds	\$ 9,640,000	10,380,000	-7.1%
Asbestos Notes	10,162	38,529	-73.6%
National School Fitness Loan	87,909	160,616	100.0%
Compensated absences	228,729	220,284	3.8%
Totals	<u>\$ 9,966,800</u>	<u>10,799,429</u>	<u>-7.7%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. The economy impacts the amount of new General Fund money available to the District.
- The District will negotiate a new agreement with the Council Bluffs Education Association (CBEA), Service Employee International Union Local 228 (SEIU) and Communication Workers of America (CWA) during fiscal 2005. Settlements in excess of "new Money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District continues to show a decline in enrollment which translates into receiving only 50% of the states percentage of allowable growth. State and Federal grants are anticipated to be down, while fixed costs for utilities and busing service will increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Greg Rodgers, Executive Director of Finance, Council Bluffs Community School District, 12 Scott Street, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 5,022,150	653,118	5,675,268
Other	22,184,179	0	22,184,179
Receivables:			
Property tax:			
Delinquent	463,636	0	463,636
Succeeding year	24,083,827	0	24,083,827
Accounts	358,125	0	358,125
Accrued ISCAP interest (Note 5)	1,074	0	1,074
Due from other governments	2,144,814	0	2,144,814
Inventories	71,587	184,949	256,536
Capital assets, net of accumulated depreciation (Note 6)	35,289,073	180,045	35,469,118
TOTAL ASSETS	89,618,465	1,018,112	90,636,577
LIABILITIES			
Accounts payable	2,053,525	2,816	2,056,341
Salaries and benefits payable	7,630,541	170,900	7,801,441
ISCAP warrant payable (Note 5)	5,000,000	0	5,000,000
ISCAP interest payable (Note 5)	959	0	959
ISCAP unamortized premiums	67,150	0	67,150
Accrued interest payable	32,763	0	32,763
Deferred revenue:			
Succeeding year property tax	24,083,827	0	24,083,827
Other	31,428	19,128	50,556
Long-term liabilities (Note 7):			
Portion due within one year:			
Bonds payable	760,000	0	760,000
Asbestos note payable	10,162	0	10,162
National School Fitness Loan payable	75,143	0	75,143
Compensated absences payable	228,729	0	228,729
Portion due after one year:			
Bonds payable	8,880,000	0	8,880,000
National School Fitness Loan payable	12,766	0	12,766
TOTAL LIABILITIES	48,866,993	192,844	49,059,837
NET ASSETS			
Investment in capital assets, net of related debt	26,228,795	180,045	26,408,840
Restricted for:			
Other	53,977	0	53,977
Capital projects	9,891,628	0	9,891,628
Management levy	86,524	0	86,524
Physical plant and equipment levy	969,814	0	969,814
Other special revenue purposes	609,447	0	609,447
Unrestricted	2,911,287	645,223	3,556,510
TOTAL NET ASSETS	\$ 40,751,472	825,268	41,576,740

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 29,157,213	752,238	8,173,617
Special instruction	18,227,925	219,341	536,367
Other instruction	4,857,109	3,467,606	0
	<u>52,242,247</u>	<u>4,439,185</u>	<u>8,709,984</u>
Support services:			
Student services	2,859,235	0	0
Instructional staff services	808,371	0	0
Administration services	8,930,587	0	0
Operation and maintenance of plant services	5,525,802	0	0
Transportation services	1,888,832	14,179	86,559
	<u>20,012,827</u>	<u>14,179</u>	<u>86,559</u>
Other expenditures:			
Facilities acquisitions	650,173	0	0
Long-term debt interest	430,046	0	0
AEA flowthrough	2,783,962	0	2,783,962
Depreciation(unallocated)*	1,894,068	0	0
	<u>5,758,249</u>	<u>0</u>	<u>2,783,962</u>
Total governmental activities	78,013,323	4,453,364	11,580,505
Business-Type activities:			
Non-instructional programs:			
Nutrition services	3,173,834	1,091,718	2,134,210
Total business-type activities	<u>3,173,834</u>	<u>1,091,718</u>	<u>2,134,210</u>
Total	<u>\$ 81,187,157</u>	<u>5,545,082</u>	<u>13,714,715</u>

General Revenues:
Property tax for:
 General purposes
 Debt service
 Capital projects
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(20,231,358)	0	(20,231,358)
(17,472,217)	0	(17,472,217)
(1,389,503)	0	(1,389,503)
<u>(39,093,078)</u>	<u>0</u>	<u>(39,093,078)</u>
(2,859,235)	0	(2,859,235)
(808,371)	0	(808,371)
(8,930,587)	0	(8,930,587)
(5,525,802)	0	(5,525,802)
(1,788,094)	0	(1,788,094)
<u>(19,912,089)</u>	<u>0</u>	<u>(19,912,089)</u>
(650,173)	0	(650,173)
(430,046)	0	(430,046)
0	0	0
(1,894,068)	0	(1,894,068)
<u>(2,974,287)</u>	<u>0</u>	<u>(2,974,287)</u>
(61,979,454)	0	(61,979,454)
0	52,094	52,094
0	52,094	52,094
<u>(61,979,454)</u>	<u>52,094</u>	<u>(61,927,360)</u>
\$ 19,902,087	0	19,902,087
1,169,978	0	1,169,978
1,519,388	0	1,519,388
6,966,795	0	6,966,795
38,845,209	0	38,845,209
570,638	11,730	582,368
<u>68,974,095</u>	<u>11,730</u>	<u>68,985,825</u>
6,994,641	63,824	7,058,465
<u>33,756,831</u>	<u>761,444</u>	<u>34,518,275</u>
<u>\$ 40,751,472</u>	<u>825,268</u>	<u>41,576,740</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 5,022,150	0	0	5,022,150
Other	10,481,002	7,989,834	3,713,343	22,184,179
Receivables:				
Property tax:				
Delinquent	391,701	0	71,935	463,636
Succeeding year	20,401,498	0	3,682,329	24,083,827
Interfund	5,927	1,027,691	102,552	1,136,170
Accounts	358,125	0	0	358,125
Accrued ISCAP interest(Note 5)	1,074	0	0	1,074
Due from other governments	991,001	1,153,813	0	2,144,814
Inventories	71,587	0	0	71,587
TOTAL ASSETS	\$ 37,724,065	10,171,338	7,570,159	55,465,562
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 102,552	0	1,033,618	1,136,170
Accounts payable	1,197,873	279,710	575,942	2,053,525
Salaries and benefits payable	7,630,541	0	0	7,630,541
ISCAP warrants payable(Note 5)	5,000,000	0	0	5,000,000
ISCAP interest payable(Note 5)	959	0	0	959
ISCAP unamortized premiums	67,150	0	0	67,150
Deferred revenue:				
Succeeding year property tax	20,401,498	0	3,682,329	24,083,827
Other	31,428	0	0	31,428
Total liabilities	34,432,001	279,710	5,291,889	40,003,600
Fund balances:				
Reserved for:				
Inventories	71,587	0	0	71,587
Debt service	0	0	612,485	612,485
Other	53,977	0	0	53,977
Unreserved:				
Undesignated	3,166,500	9,891,628	1,665,785	14,723,913
Total fund balances	3,292,064	9,891,628	2,278,270	15,461,962
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,724,065	10,171,338	7,570,159	55,465,562

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 15,461,962
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	35,289,073
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(32,763)
Long-term liabilities, including bonds payable, asbestos note payable, national school fitness loan payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,966,800)</u>
Net assets of governmental activities (page 14)	<u><u>\$ 40,751,472</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 19,149,658	6,966,795	3,441,795	29,558,248
Tuition	971,579	0	0	971,579
Other	2,007,606	122,185	1,922,632	4,052,423
State sources	45,042,019	0	2,970	45,044,989
Federal sources	5,380,725	0	0	5,380,725
Total revenues	<u>72,551,587</u>	<u>7,088,980</u>	<u>5,367,397</u>	<u>85,007,964</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	29,155,128	0	0	29,155,128
Special instruction	18,282,359	0	0	18,282,359
Other instruction	3,182,499	0	1,676,843	4,859,342
	<u>50,619,986</u>	<u>0</u>	<u>1,676,843</u>	<u>52,296,829</u>
Support services:				
Student services	2,849,159	0	0	2,849,159
Instructional staff services	813,753	0	0	813,753
Administration services	8,074,085	0	799,577	8,873,662
Operation and maintenance of plant services	5,431,584	0	101,000	5,532,584
Transportation services	1,888,832	0	0	1,888,832
	<u>19,057,413</u>	<u>0</u>	<u>900,577</u>	<u>19,957,990</u>
Other expenditures:				
Facilities acquisitions	0	3,105,473	1,868,460	4,973,933
Long-term debt:				
Principal	0	0	841,074	841,074
Interest and fiscal charges	0	0	432,941	432,941
AEA flowthrough	2,783,962	0	0	2,783,962
	<u>2,783,962</u>	<u>3,105,473</u>	<u>3,142,475</u>	<u>9,031,910</u>
Total expenditures	<u>72,461,361</u>	<u>3,105,473</u>	<u>5,719,895</u>	<u>81,286,729</u>
Excess(deficiency) of revenues over(under) expenditures	90,226	3,983,507	(352,498)	3,721,235
Other financing sources(uses):				
Transfers in	0	0	105,281	105,281
Transfers out	(105,281)	0	0	(105,281)
Total other financing sources(uses)	<u>(105,281)</u>	<u>0</u>	<u>105,281</u>	<u>0</u>
Net change in fund balances	(15,055)	3,983,507	(247,217)	3,721,235
Fund balance beginning of year	3,307,119	5,908,121	2,525,487	11,740,727
Fund balance end of year	<u>\$ 3,292,064</u>	<u>9,891,628</u>	<u>2,278,270</u>	<u>15,461,962</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2005

Net change in fund balances - total governmental funds (page 19) \$ 3,721,235

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

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

Expenditures for capital assets	\$ 11,917,468	
Depreciation expense	(1,959,662)	
Loss on disposal of capital assets	<u>(7,519,924)</u>	2,437,882

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. Current year repayments exceeded issues, as follows:

Repaid	841,074
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,895

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

Compensated absences	<u>(8,445)</u>
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Changes in net assets of governmental activities (page 16) \$ 6,994,641

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	School Nutrition
ASSETS	
Cash and cash equivalents:	\$ 653,118
Inventories	184,949
Capital assets, net of accumulated depreciation(Note 5)	180,045
TOTAL ASSETS	1,018,112
 LIABILITIES	
Accounts payable	2,816
Salaries and benefits payable	170,900
Deferred revenue:	
Other	19,128
TOTAL LIABILITIES	192,844
 NET ASSETS	
Investment in capital assets, net of related debt	180,045
Unrestricted	645,223
TOTAL NET ASSETS	\$ 825,268

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 1,091,718
TOTAL OPERATING REVENUES	1,091,718
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	989,467
Benefits	390,644
Services	84,283
Supplies	1,686,507
Other	330
Depreciation	22,603
TOTAL OPERATING EXPENSES	3,173,834
OPERATING LOSS	(2,082,116)
NON-OPERATING REVENUES:	
State sources	42,827
Federal sources	2,091,383
Interest income	11,730
TOTAL NON-OPERATING REVENUES	2,145,940
Change in net assets	63,824
Net assets beginning of year	761,444
Net assets end of year	\$ 825,268

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,079,436
Cash received from miscellaneous operating activities	13,594
Cash payments to employees for services	(1,358,085)
Cash payments to suppliers for goods or services	(1,511,448)
Net cash used in operating activities	(1,776,503)
Cash flows from non-capital financing activities:	
State grants received	45,832
Federal grants received	1,827,068
Net cash provided by non-capital financing activities	1,872,900
Cash flows from capital and related financing activities:	
Purchase of capital assets	(106,205)
Net cash used in capital and related financing activities	(106,205)
Cash flows from investing activities:	
Interest on investments	11,730
Net cash provided by investing activities	11,730
Net increase in cash and cash equivalents	1,922
Cash and cash equivalents at beginning of year	651,196
Cash and cash equivalents at end of year	\$ 653,118
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,082,116)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	283,113
Depreciation	22,603
Increase in inventories	(25,876)
Decrease in accounts receivable	7,885
Increase in accounts payable	2,435
Increase in salaries and benefits payable	22,026
Decrease in deferred revenue	(6,573)
Net cash used in operating activities	\$ (1,776,503)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 653,118
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2005, the District received Federal commodities valued at \$283,113.	

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

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

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for the collection of local option sales and services tax and capital improvement expenditures.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has

been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 were entirely covered by federal depository insurance or 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 had no investments at June 30, 2005.

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General Fund	<u>\$ 105,281</u>

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

(4) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Physical Plant and Equipment Levy	\$ 5,927
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	1,027,691
Debt Service	General	102,552
Total		<u>\$ 1,136,170</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06A	6/28/05	6/28/06	\$ 5,022,150	1,074	5,000,000	959

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2005.

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

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

(6) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,426,065	0	0	1,426,065
Construction in progress	8,022,137	3,054,754	7,402,366	3,674,525
Total capital assets not being depreciated	9,448,202	3,054,754	7,402,366	5,100,590
Capital assets being depreciated:				
Buildings and land improvements	42,868,354	8,789,230	0	51,657,584
Machinery and equipment	2,589,479	73,484	147,022	2,515,941
Total capital assets being depreciated	45,457,833	8,862,714	147,022	54,173,525
Less accumulated depreciation for:				
Buildings and land improvements	19,745,935	1,876,060	0	21,621,995
Machinery and equipment	2,308,909	83,602	29,464	2,363,047
Total accumulated depreciation	22,054,844	1,959,662	29,464	23,985,042
Total capital assets being depreciated, net	23,402,989	6,903,052	117,558	30,188,483
Governmental activities capital assets, net	\$ 32,851,191	9,957,806	7,519,924	35,289,073
Business-type activities:				
Machinery and equipment	\$ 913,546	106,205	0	1,019,751
Less accumulated depreciation	817,103	22,603	0	839,706
Business-type activities capital assets, net	\$ 96,443	83,602	0	180,045

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,085
Other		7,117
Support services:		
Administration		28,480
Transportation		27,912
		<u>65,594</u>
Unallocated depreciation		<u>1,894,068</u>
Total governmental activities depreciation expense		<u>\$ 1,959,662</u>
Business-type activities:		
Food services		\$ 22,603
Total business-type activities depreciation expense		<u>\$ 22,603</u>

(7) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 10,380,000	0	740,000	9,640,000	760,000
Asbestos Note	38,529	0	28,367	10,162	10,162
National School Fitness Loan	160,616	0	72,707	87,909	75,143
Compensated Absences	220,284	228,729	220,284	228,729	228,729
Total	<u>\$ 10,799,429</u>	<u>228,729</u>	<u>1,061,358</u>	<u>9,966,800</u>	<u>1,074,034</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2002			
	Interest Rates	Principal	Interest	Total
2006	3.05-3.25 %	\$ 760,000	387,363	387,363
2007	3.35-3.55	755,000	362,937	362,937
2008	3.65-3.80	785,000	336,048	336,048
2009	3.80-4.00	840,000	307,460	307,460
2010	4.00-4.10	1,000,000	271,000	271,000
2011	4.10-4.20	1,000,000	230,250	230,250
2012	4.20-4.30	1,000,000	188,500	188,500
2013	4.30-4.40	1,000,000	145,750	145,750
2014	4.40-4.50	1,000,000	102,000	102,000
2015	4.50-4.60	1,000,000	57,250	57,250
2016	4.60	500,000	11,500	11,500
Total		<u>\$ 9,640,000</u>	<u>2,400,058</u>	<u>2,400,058</u>

Asbestos Note

In 1985, the District was awarded two interest-free loans by the Environmental Protection Agency under the Asbestos in School Hazard Abatement Program to fund the cost of removing asbestos from Abraham Lincoln High School.

Scheduled maturities on the asbestos notes are as follows:

Year Ending June 30	Amount
2006	<u>\$ 10,162</u>

National School Fitness Loan

Details of the District's June 30, 2005 National School Fitness Loan indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	3.30 %	\$ 75,143	1,771	76,914
2007	3.30	12,766	53	12,819
Total		<u>\$ 87,909</u>	<u>1,824</u>	<u>89,733</u>

(8) Defeasement of Bonds

On April 1, 2003, the District issued refunding bonds in the amount of \$9,940,000 to advance refund \$9,310,000 of outstanding general obligation bonds. The proceeds of the refunding issue have been placed in an irrevocable escrow account and have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunded bonds. At June 30, 2005, \$9,310,000 of such bonds was outstanding. Repayment of principal and interest for the year was \$0 and \$524,798 respectively. It is expected that the escrow will be closed out June 1, 2006.

(9) 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 payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30,

2005, 2004 and 2003 were \$2,595,796, \$2,572,862 and \$2,546,347 respectively, equal to the required contributions for each year.

(10) Risk Management

Council Bluffs Community School District is a member in the Iowa School Employees Benefits Association, and Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following category: dental.

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a GAAP basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$225,308.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the District's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The

District's actual amount for this purpose totaled \$2,783,962 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 34,582,250	1,103,448
State sources	45,044,989	42,827
Federal sources	5,380,725	2,091,383
Total revenues	85,007,964	3,237,658
Expenditures:		
Instruction	52,296,829	0
Support services	19,957,990	0
Non-instructional programs	0	3,173,834
Other expenditures	9,031,910	0
Total expenditures	81,286,729	3,173,834
Excess(deficiency) of revenues over(under) expenditures	3,721,235	63,824
Balance beginning of year	11,740,727	761,444
Balance end of year	\$ 15,461,962	825,268

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
35,685,698	34,185,273	34,185,273	1,500,425
45,087,816	45,631,269	45,631,269	(543,453)
7,472,108	5,700,000	5,700,000	1,772,108
88,245,622	85,516,542	85,516,542	2,729,080
52,296,829	50,838,230	52,600,000	303,171
19,957,990	20,642,835	20,642,835	684,845
3,173,834	3,307,125	3,307,125	133,291
9,031,910	13,688,818	11,927,048	2,895,138
84,460,563	88,477,008	88,477,008	4,016,445
3,785,059	(2,960,466)	(2,960,466)	(1,287,365)
12,502,171	7,702,422	7,702,422	4,799,749
16,287,230	4,741,956	4,741,956	3,512,384

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

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

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

OTHER SUPPLEMENTAL INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds					
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
ASSETS						
Cash and pooled investments	\$ 140,517	620,180	2,467,345	3,228,042	485,301	3,713,343
Receivables:						
Property tax:						
Current year delinquent	15,391	0	31,912	47,303	24,632	71,935
Succeeding year	975,000	0	1,559,966	2,534,966	1,147,363	3,682,329
Interfund	0	0	0	0	102,552	102,552
TOTAL ASSETS	\$ 1,130,908	620,180	4,059,223	5,810,311	1,759,848	7,570,159
LIABILITIES AND FUND EQUITY						
Liabilities:						
Interfund payable	\$ 0	0	1,033,618	1,033,618	0	1,033,618
Accounts payable	69,384	10,733	495,825	575,942	0	575,942
Deferred revenue:						
Succeeding year property tax	975,000	0	1,559,966	2,534,966	1,147,363	3,682,329
	1,044,384	10,733	3,089,409	4,144,526	1,147,363	5,291,889
Fund equity:						
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	612,485	612,485
Unreserved:						
Undesignated	86,524	609,447	969,814	1,665,785	0	1,665,785
Total fund balances	86,524	609,447	969,814	1,665,785	612,485	2,278,270
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,130,908	620,180	4,059,223	5,810,311	1,759,848	7,570,159

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 752,429	0	1,519,388	2,271,817	1,169,978	3,441,795
Other	3,376	1,670,697	234,425	1,908,498	14,134	1,922,632
State sources	660	0	1,304	1,964	1,006	2,970
TOTAL REVENUES	756,465	1,670,697	1,755,117	4,182,279	1,185,118	5,367,397
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	1,676,843	0	1,676,843	0	1,676,843
Support services:						
Administration services	787,757	0	11,820	799,577	0	799,577
Operation and maintenance of plant services	0	0	101,000	101,000	0	101,000
Other expenditures:						
Facilities acquisitions	0	0	1,868,460	1,868,460	0	1,868,460
Long-term debt:						
Principal	0	0	0	0	841,074	841,074
Interest and fiscal charges	0	0	0	0	432,941	432,941
TOTAL EXPENDITURES	787,757	1,676,843	1,981,280	4,445,880	1,274,015	5,719,895
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(31,292)	(6,146)	(226,163)	(263,601)	(88,897)	(352,498)
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	105,281	105,281
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(31,292)	(6,146)	(226,163)	(263,601)	16,384	(247,217)
FUND BALANCE BEGINNING OF YEAR	117,816	615,593	1,195,977	1,929,386	596,101	2,525,487
FUND BALANCE END OF YEAR	\$ 86,524	609,447	969,814	1,665,785	612,485	2,278,270

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thomas Jefferson SHS	\$ 134,056	477,278	486,708	124,626
Abraham Lincoln SHS	251,216	703,663	699,857	255,022
Kanesville AHS	19,775	10,499	10,847	19,427
Kirn JHS	99,803	169,323	170,253	98,873
Woodrow Wilson JHS	33,999	125,421	129,705	29,715
Bloomer	13,745	55,663	54,686	14,722
Carter Lake	2,628	14,432	13,923	3,137
Crescent	3,116	5,685	5,885	2,916
Edison	4,086	8,958	9,204	3,840
Franklin	11,403	18,009	16,495	12,917
Gunn	2,721	7,356	6,369	3,708
Hoover	3,057	27,142	27,687	2,512
Lewis & Clark	4,855	11,498	10,423	5,930
Longfellow	9,881	7,568	6,208	11,241
Pusey	2,399	2,518	2,147	2,770
Roosevelt	8,048	9,663	9,407	8,304
Rue	3,403	7,634	10,147	890
Walnut Grove	2,763	6,699	6,211	3,251
Washington	4,639	1,688	681	5,646
Total	\$ 615,593	1,670,697	1,676,843	609,447

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 29,558,248	28,021,949	26,035,065	20,393,389
Tuition	971,579	1,004,915	1,195,766	1,081,840
Other	4,052,423	4,079,776	3,148,225	3,947,033
State sources	45,044,989	44,039,083	44,209,157	43,452,108
Federal sources	5,380,725	5,787,580	4,879,250	3,566,923
Total	<u>\$ 85,007,964</u>	<u>82,933,303</u>	<u>79,467,463</u>	<u>72,441,293</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 29,155,128	30,176,923	27,662,747	27,403,919
Special instruction	18,282,359	17,447,372	15,556,149	14,047,660
Other instruction	4,859,342	4,434,406	4,632,680	4,904,387
Support services:				
Student services	2,849,159	3,303,589	6,250,117	5,042,632
Instructional staff services	813,753	1,326,278	1,658,885	1,481,157
Administration services	8,873,662	7,135,571	7,092,395	6,936,650
Operation and maintenance of plant services	5,532,584	5,278,446	5,555,555	5,611,555
Transportation services	1,888,832	1,871,585	2,006,382	1,662,294
Central support services	0	344,896	619,244	576,482
Non-instructional programs	0	13,282	7,000	87,955
Other expenditures:				
Facilities acquisitions	4,973,933	5,851,681	3,997,612	4,146,223
Long-term debt:				
Principal	841,074	811,336	638,367	563,367
Interest and other charges	432,941	466,849	557,645	640,263
AEA flow-through	2,783,962	2,780,666	2,919,538	2,900,263
Total	<u>\$ 81,286,729</u>	<u>81,242,880</u>	<u>79,154,316</u>	<u>76,004,807</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 283,113
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	256,222
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	1,410,585
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 05	105,503
NUTRITION EDUCATION AND TRAINING PROGRAM	10.564	FY 05	21,780
			<u>1,794,090</u>
FRUIT AND VEGETABLE PILOT PROGRAM	10.555	FY 05	<u>14,180</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-GC-04	826
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-G-05	1,737,348
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-D-05	17,795
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-GC-05	200,364
			<u>1,956,333</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 04	29,922
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 05	57,099
			<u>87,021</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 05	<u>4,442</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 04	10,536
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	63,465
			<u>74,001</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
FUND FOR THE IMPROVEMENT OF EDUCATION	84.215	FY 05	574,956
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 05	11,446
READING EXCELLENCE PROGRAM	84.338	FY 05	238,891
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	521,030
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 05	57,486
AREA EDUCATION AGENCY:			
IOWA DEPARTMENT OF EDUCATION:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 05	115,567
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	536,367
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 05	106,193
EVALUATING STATE EDUCATION TECHNOLOGY PROGRAM (ESETP)	84.318	FY 05	17,191
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HUMAN SERVICES:			
PACT GRANT	93.556	FY 05	580
TOTAL			\$ 6,392,887

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Council Bluffs Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Council Bluffs Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Council Bluffs Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 13, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Council Bluffs Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

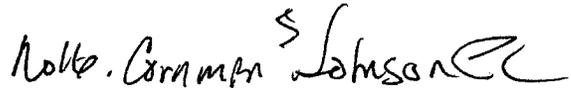
As part of obtaining reasonable assurance about whether Council Bluffs Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could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

immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of
Council Bluffs Community School District:

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Council Bluffs Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Council Bluffs Community School District's compliance with those requirements.

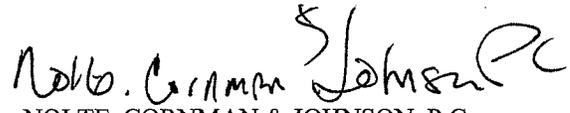
In our opinion, Council Bluffs Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Council Bluffs Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Council Bluffs Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 13, 2005

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Program for Children
 - CFDA Number 10.564 - Nutrition Education and Training Program
 - Individual
 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.027 - Special Education - Grants to States(Part B)
 - CFDA Number 84.367 - Improving Teacher Quality State Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Council Bluffs Community School District did not qualify as a low-risk auditee.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-05 Check Signatures - Checks written from the Student Activity Fund at the various centers do not require the signature of the Board Secretary and the Board President.

Recommendation - All checks written from District accounts should bear two signatures, with one of them being the signature of the Secretary of the Board and the other being the Board President, in compliance with Chapter 291.8 and Chapter 291.1 of the Code of Iowa.

Response - We will investigate alternatives and make the necessary changes.

Conclusion - Response accepted.

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

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

Response - We will implement reconciliation procedures.

Conclusion - Response accepted.

II-D-05 Supporting Documents for Payments to Officials - Payments made to officials from the Student Activity fund do not have supporting documentation.

Recommendation - The copy of the contract made for each official should be used as the support for payment.

Response - We will make necessary changes to ensure contracts are available for supporting documentation.

Conclusion - Response accepted.

II-E-05 Student Activity Fund - We noted during our audit that the District receipts commissions for pictures into the Student Activity Fund. We noted that the individual Student Activity centers record interest revenue, but do not always allocate among the various clubs and organizations that earned the interest.

Recommendation - The picture commissions should be recorded in the General Fund. The interest should be allocated among the accounts that make up the investment balance earning the interest.

Response - We will comply with the recommendation.

Conclusion - Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

IV-A-05 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005.

Recommendation - The district should increase their depository limits.

Response - We will raise them in the future.

Conclusion - Response accepted.

IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.

IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-05 Business Transactions - No business transactions between the District and District officials were noted.

IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-H-05 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

IV-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-05 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely but we noted no significant deficiencies in the amounts reported.

Recommendation - The District should have filed the Certified Annual Report with the Department of Education timely.

Response - We will comply with this recommendation.

Conclusion - Response accepted.