

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2006

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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 2005 election)		
Bobette Behrens	President	2005
Gina Malloy	Vice President	2005
Mark McGee	Board Member	2006
Marvin Arnpriester	Board Member	2007
Dave Coziahr	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
Board of Education (After September 2005 election)		
Gina Malloy	President	2008
Dave Coziahr	Vice President	2007
Mark McGee	Board Member	2006
Melanie Bates	Board Member	2006
Marvin Arnpriester	Board Member	2007
Mark Brandenburg	Board Member	2007
Janine Headen	Board Member	2008
School Officials		
Richard Christie	Superintendent	2006
Greg Rodgers	District Secretary/ Treasurer and Executive Director of Finance	2006

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(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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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, 2006, 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, 2006, 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 report dated October 12, 2006 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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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, 2005 (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 PC
NOLTE, CORNMAN & JOHNSON, P.C.

October 12, 2006

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$72,551,587 in fiscal 2005 to \$76,295,175 in fiscal 2006, while General Fund expenditures increased from \$72,566,642 in fiscal 2005 to \$73,368,569 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$3,292,064 in fiscal 2005 to \$6,131,597 in fiscal 2006, an 86.3% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2006. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits.
- 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 \$386,936 in fiscal year 2005 to \$635,138 in fiscal year 2006.

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.

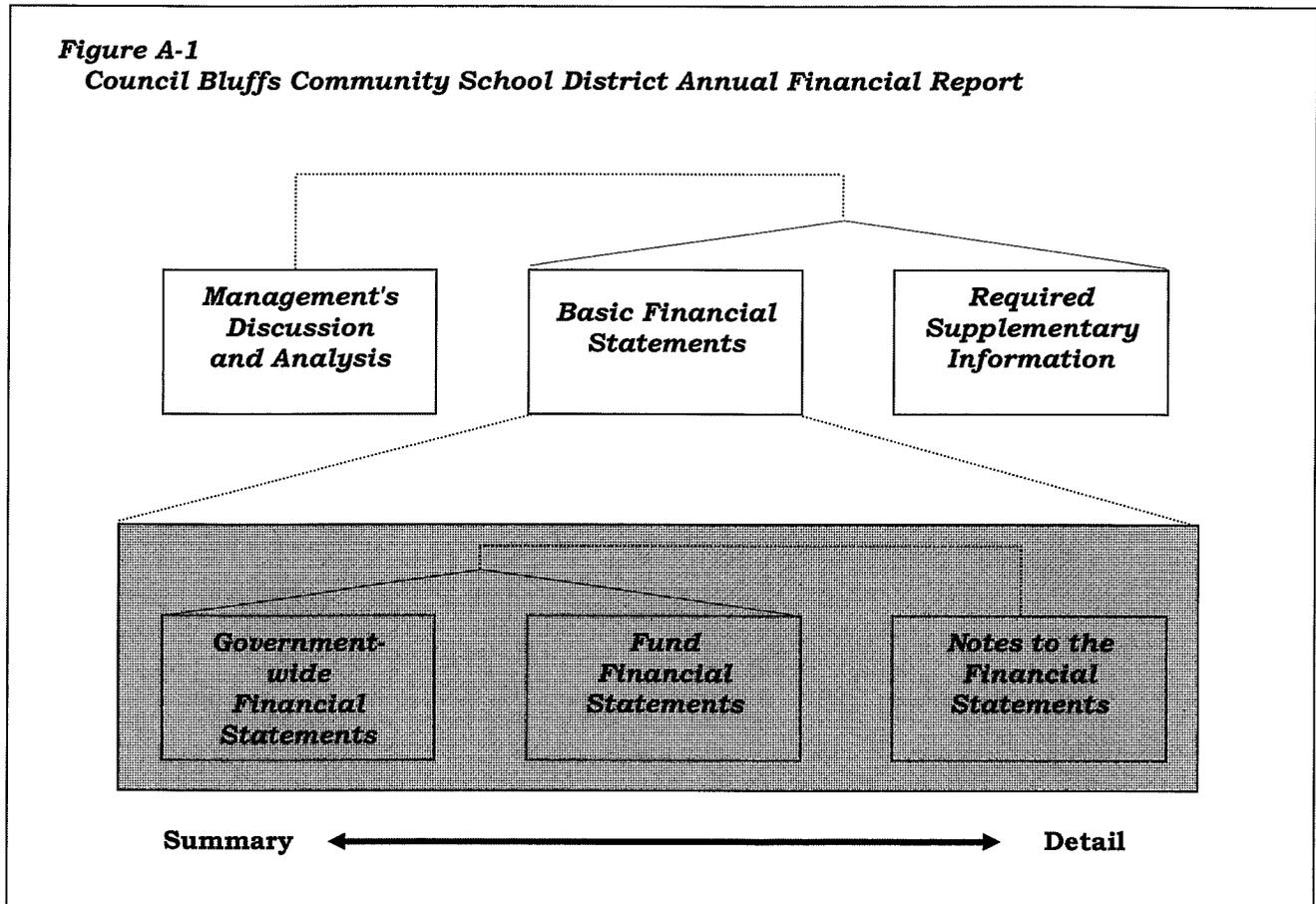


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 total net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change June 30, 2005-06
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2006	2005	2006	2005	2006	2005	
Current and other assets	\$ 58,946,273	54,329,392	785,395	838,067	59,731,668	55,167,459	8.27%
Capital assets	43,786,387	35,289,073	200,868	180,045	43,987,255	35,469,118	24.02%
Total assets	102,732,660	89,618,465	986,263	1,018,112	103,718,923	90,636,577	14.43%
Long-term obligations	9,065,180	9,966,800	0	0	9,065,180	9,966,800	-9.05%
Other liabilities	41,812,130	38,900,193	220,850	192,844	42,032,980	39,093,037	7.52%
Total liabilities	50,877,310	48,866,993	220,850	192,844	51,098,160	49,059,837	4.15%
Net assets:							
Invested in capital assets, net of related debt	35,517,743	26,228,795	200,868	180,045	35,718,611	26,408,840	35.25%
Restricted	10,502,739	11,611,390	0	0	10,502,739	11,611,390	-9.55%
Unrestricted	5,834,868	2,911,287	564,545	645,223	6,399,413	3,556,510	79.94%
Total net assets	\$ 51,855,350	40,751,472	765,413	825,268	52,620,763	41,576,740	26.56%

The District's combined net assets increased by 26.56%, or \$11,044,023, 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 decreased \$1,108,651, or 9.55% compared to the prior year. The decrease was primarily a result of the decrease in the Capital Projects Fund balance due to construction.

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 – increased \$2,842,903, or 79.94%. This increase in unrestricted net assets was a result of the District's increase 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 years ended June 30, 2006 and 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 3,464,016	4,453,364	1,102,531	1,091,718	4,566,547	5,545,082	-17.65%
Operating grants and contributions and restricted interest	13,065,831	11,580,505	2,158,062	2,134,210	15,223,893	13,714,715	11.00%
General revenues:							
Property tax	24,091,484	22,591,453	0	0	24,091,484	22,591,453	6.64%
Local option sales and services tax	8,266,836	6,966,795	0	0	8,266,836	6,966,795	18.66%
Unrestricted state grants	40,211,007	38,845,209	0	0	40,211,007	38,845,209	3.52%
Other	1,246,936	570,638	21,006	11,730	1,267,942	582,368	117.72%
Total revenues	90,346,110	85,007,964	3,281,599	3,237,658	93,627,709	88,245,622	6.10%
Program expenses:							
Governmental activities:							
Instructional	49,643,947	52,242,247	0	0	49,643,947	52,242,247	-4.97%
Support services	23,870,970	20,012,827	230,157	0	24,101,127	20,012,827	20.43%
Non-instructional programs	13,634	0	3,111,297	3,173,834	3,124,931	3,173,834	-1.54%
Other expenses	5,713,681	5,758,249	0	0	5,713,681	5,758,249	-0.77%
Total expenses	79,242,232	78,013,323	3,341,454	3,173,834	82,583,686	81,187,157	1.72%
Changes in net assets	11,103,878	6,994,641	(59,855)	63,824	11,044,023	7,058,465	56.46%
Beginning Net Assets	40,751,472	33,756,831	825,268	761,444	41,576,740	34,518,275	20.45%
Ending Net Assets	\$ 51,855,350	40,751,472	765,413	825,268	52,620,763	41,576,740	26.56%

In fiscal 2006, property tax and unrestricted state grants account for 71.2% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.4% of the revenue from business type activities.

The District's total revenues were approximately \$93.6 million of which \$90.3 million was for governmental activities and \$3.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.1% increase in revenues and a 1.72% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$90,346,110 and expenses were \$79,242,232.

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	\$ 49,643,947	36,207,315
Support services	23,870,970	23,648,238
Non-instructional programs	13,634	13,634
Other expenses	5,713,681	2,843,198
Totals	<u>\$ 79,242,232</u>	<u>62,712,385</u>

- The cost financed by users of the District's programs was \$3,464,016.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$13,065,831.
- The net cost of governmental activities was financed with \$24,091,484 in property tax, \$8,266,836 in local option sales and services tax, \$40,211,007 in unrestricted state grants and \$1,119,273 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$3,281,599 and expenses were \$3,341,454. 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 \$17,164,911, above last year's ending fund balances of \$15,461,962. However, the primary reason for the increase was due to the increase in revenues in the General Fund.

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 enough to offset the District's increase in General Fund expenditures, resulting in a fund balance increase from \$3,292,064 to \$6,131,597.
- The Capital Projects Fund balance decreased from \$9,891,628 to \$8,482,400, due in part to the increase in capital construction expenditures.
- The Special Revenue, Management Levy Fund balance decreased from a positive \$86,524 to a deficit \$79,147. Despite the increase in local tax revenue during the year, the increase in expenditures reduced the chance of the fund balance remaining solvent.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$825,268 at June 30, 2005 to \$765,413 at June 30, 2006, representing a decrease of 7.25%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$2,694,962 more than budgeted revenues, a variance of 2.96%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area primarily due to the reclassification of expenditure due to the account upload for the state.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$44 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 24.02% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$1,986,650.

The original cost of the District's capital assets was \$70.8 million. Governmental funds account for \$69.7 million with the remainder of \$1.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$13,310,872 at June 30, 2006, compared to \$3,674,525 reported at June 30, 2005. This increase resulted from the construction that was completed during the current 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,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 1,426,065	1,426,065	0	0	1,426,065	1,426,065	0.00%
Construction in progress	13,310,872	3,674,525	0	0	13,310,872	3,674,525	262.25%
Buildings and land improvements	28,928,119	30,035,589	0	0	28,928,119	30,035,589	-3.69%
Machinery and equipment	121,331	152,894	200,868	180,045	322,199	332,939	-3.23%
Total	\$ 43,786,387	35,289,073	200,868	180,045	43,987,255	35,469,118	24.02%

Long-Term Debt

At June 30, 2006, the District had \$9,065,180 in general obligation and other long-term debt outstanding. This represents a decrease of 9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$8,880,000 at June 30, 2006.

The District had outstanding a National School Fitness Loan payable at June 30, 2006 of \$12,766.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2006	June 30, 2005	2005-06
General Obligation Bonds	\$ 8,880,000	9,640,000	-7.9%
Asbestos Notes	0	10,162	-100.0%
National School Fitness Loan	12,766	87,909	-85.5%
Compensated absences	172,414	228,729	-24.6%
Totals	<u>\$ 9,065,180</u>	<u>9,966,800</u>	<u>-9.0%</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 2006. 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, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 4,993,050	0	4,993,050
Other	23,815,922	656,428	24,472,350
Receivables:			
Property tax:			
Delinquent	523,839	0	523,839
Succeeding year	26,758,439	0	26,758,439
Accounts	3,318	6,049	9,367
Accrued ISCAP interest(Note 5)	1,553	0	1,553
Due from other governments	2,319,112	0	2,319,112
Inventories	51,784	122,918	174,702
Prepaid expenses	479,256	0	479,256
Capital assets, net of accumulated depreciation(Note 6)	43,786,387	200,868	43,987,255
Total Assets	102,732,660	986,263	103,718,923
Liabilities			
Accounts payable	2,302,859	3,028	2,305,887
Salaries and benefits payable	7,628,152	185,024	7,813,176
ISCAP warrant payable(Note 5)	5,000,000	0	5,000,000
ISCAP interest payable(Note 5)	1,233	0	1,233
ISCAP unamortized premiums	38,050	0	38,050
Accrued interest payable	30,768	0	30,768
Deferred revenue:			
Succeeding year property tax	26,758,439	0	26,758,439
Other	52,629	0	52,629
Unearned revenue	0	27,553	27,553
Long-term liabilities(Note 7):			
Portion due within one year:			
Bonds payable	755,000	0	755,000
National School Fitness Loan payable	12,766	0	12,766
Compensated absences payable	172,414	5,245	177,659
Portion due after one year:			
Bonds payable	8,125,000	0	8,125,000
Total Liabilities	50,877,310	220,850	51,098,160
Net Assets			
Investment in capital assets, net of related debt	35,517,743	200,868	35,718,611
Restricted for:			
Salary improvement program	14,529	0	14,529
Other	17,873	0	17,873
Capital projects	8,482,400	0	8,482,400
Physical plant and equipment levy	1,403,326	0	1,403,326
Other special revenue purposes	584,611	0	584,611
Unrestricted	5,834,868	564,545	6,399,413
Total Net Assets	\$ 51,855,350	765,413	52,620,763

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 28,609,550	693,855	9,421,122	(18,494,573)	0	(18,494,573)
Special instruction	16,567,128	240,372	562,950	(15,763,806)	0	(15,763,806)
Other instruction	4,467,269	2,518,333	0	(1,948,936)	0	(1,948,936)
	<u>49,643,947</u>	<u>3,452,560</u>	<u>9,984,072</u>	<u>(36,207,315)</u>	<u>0</u>	<u>(36,207,315)</u>
Support services:						
Student services	4,049,136	0	0	(4,049,136)	0	(4,049,136)
Instructional staff services	1,803,741	0	0	(1,803,741)	0	(1,803,741)
Administration services	9,281,837	0	0	(9,281,837)	0	(9,281,837)
Operation and maintenance of plant services	6,493,259	0	0	(6,493,259)	0	(6,493,259)
Transportation services	2,242,997	11,456	211,276	(2,020,265)	0	(2,020,265)
	<u>23,870,970</u>	<u>11,456</u>	<u>211,276</u>	<u>(23,648,238)</u>	<u>0</u>	<u>(23,648,238)</u>
Non-instruction:						
Community service operations	13,634	0	0	(13,634)	0	(13,634)
Other expenditures:						
Facilities acquisitions	530,813	0	0	(530,813)	0	(530,813)
Long-term debt interest	387,135	0	0	(387,135)	0	(387,135)
AEA flowthrough	2,870,483	0	2,870,483	0	0	0
Depreciation(unallocated)*	1,925,250	0	0	(1,925,250)	0	(1,925,250)
	<u>5,713,681</u>	<u>0</u>	<u>2,870,483</u>	<u>(2,843,198)</u>	<u>0</u>	<u>(2,843,198)</u>
Total governmental activities	79,242,232	3,464,016	13,065,831	(62,712,385)	0	(62,712,385)
Business-Type activities:						
Support services:						
Administration services	153,794	0	0	0	(153,794)	(153,794)
Operation and maintenance of plant services	76,363	0	0	0	(76,363)	(76,363)
	<u>230,157</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(230,157)</u>	<u>(230,157)</u>
Non-instructional programs:						
Nutrition services	3,111,297	1,102,531	2,158,062	0	149,296	149,296
Total business-type activities	3,341,454	1,102,531	2,158,062	0	(80,861)	(80,861)
Total	\$ 82,583,686	4,566,547	15,223,893	(62,712,385)	(80,861)	(62,793,246)
General Revenues:						
Property tax for:						
General purposes				\$ 21,384,882	0	21,384,882
Capital outlay				1,559,545	0	1,559,545
Debt service				1,147,057	0	1,147,057
Local option sales and services tax				8,266,836	0	8,266,836
Unrestricted state grants				40,211,007	0	40,211,007
Unrestricted investment earnings				1,119,273	21,006	1,140,279
Other				127,663	0	127,663
Total general revenues				<u>73,816,263</u>	<u>21,006</u>	<u>73,837,269</u>
Changes in net assets				<u>11,103,878</u>	<u>(59,855)</u>	<u>11,044,023</u>
Net assets beginning of year				<u>40,751,472</u>	<u>825,268</u>	<u>41,576,740</u>
Net assets end of year				<u>\$ 51,855,350</u>	<u>765,413</u>	<u>52,620,763</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 4,993,050	0	0	4,993,050
Other	11,775,181	8,759,758	3,367,842	23,902,781
Receivables:				
Property tax:				
Delinquent	444,295	0	79,544	523,839
Succeeding year	22,782,023	0	3,976,416	26,758,439
Interfund	5,927	964,970	179,466	1,150,363
Accounts	3,318	0	0	3,318
Accrued ISCAP interest(Note 5)	1,553	0	0	1,553
Due from other governments	1,682,173	636,939	0	2,319,112
Inventories	51,784	0	0	51,784
Prepaid expenses	479,256	0	0	479,256
Total Assets	\$ 42,218,560	10,361,667	7,603,268	60,183,495
Liabilities and Fund Balances				
Liabilities:				
Excess of warrants issued over bank balance	\$ 0	0	86,859	86,859
Interfund payable	179,466	0	970,897	1,150,363
Accounts payable	405,410	1,879,267	18,182	2,302,859
Salaries and benefits payable	7,628,152	0	0	7,628,152
ISCAP warrants payable(Note 5)	5,000,000	0	0	5,000,000
ISCAP interest payable(Note 5)	1,233	0	0	1,233
ISCAP unamortized premiums	38,050	0	0	38,050
Deferred revenue:				
Succeeding year property tax	22,782,023	0	3,976,416	26,758,439
Other	52,629	0	0	52,629
Total liabilities	36,086,963	1,879,267	5,052,354	43,018,584
Fund balances:				
Reserved for:				
Inventories	51,784	0	0	51,784
Debt service	0	0	642,124	642,124
Salary improvement program	14,529	0	0	14,529
Early intervention	17,873	0	0	17,873
Unreserved	6,047,411	8,482,400	1,908,790	16,438,601
Total fund balances	6,131,597	8,482,400	2,550,914	17,164,911
Total Liabilities and Fund Balances	\$ 42,218,560	10,361,667	7,603,268	60,183,495

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, 2006

Total fund balances of governmental funds (page 16)	\$ 17,164,911
<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.	43,786,387
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.	(30,768)
Long-term liabilities, including bonds 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>(9,065,180)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 51,855,350</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, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 20,409,562	8,266,836	3,681,922	32,358,320
Tuition	934,227	0	0	934,227
Other	2,426,617	352,708	1,746,570	4,525,895
State sources	47,025,310	0	2,899	47,028,209
Federal sources	5,499,459	0	0	5,499,459
Total revenues	<u>76,295,175</u>	<u>8,619,544</u>	<u>5,431,391</u>	<u>90,346,110</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	28,609,550	0	0	28,609,550
Special instruction	16,567,128	0	0	16,567,128
Other instruction	2,878,386	0	1,581,766	4,460,152
	<u>48,055,064</u>	<u>0</u>	<u>1,581,766</u>	<u>49,636,830</u>
Support services:				
Student services	4,054,876	0	0	4,054,876
Instructional staff services	1,803,741	0	0	1,803,741
Administration services	8,825,112	0	466,420	9,291,532
Operation and maintenance of plant services	5,853,662	0	678,731	6,532,393
Transportation services	1,891,997	0	351,000	2,242,997
	<u>22,429,388</u>	<u>0</u>	<u>1,496,151</u>	<u>23,925,539</u>
Non-instructional:				
Community service operations	13,634	0	0	13,634
Other expenditures:				
Facilities acquisitions	0	10,028,772	933,468	10,962,240
Long-term debt:				
Principal	0	0	845,305	845,305
Interest	0	0	389,130	389,130
AEA flowthrough	2,870,483	0	0	2,870,483
	<u>2,870,483</u>	<u>10,028,772</u>	<u>2,167,903</u>	<u>15,067,158</u>
Total expenditures	<u>73,368,569</u>	<u>10,028,772</u>	<u>5,245,820</u>	<u>88,643,161</u>
Excess (deficiency) of revenues over (under) expenditures	2,926,606	(1,409,228)	185,571	1,702,949
Other financing sources (uses):				
Transfers in	0	0	87,073	87,073
Transfers out	(87,073)	0	0	(87,073)
Total other financing sources (uses)	<u>(87,073)</u>	<u>0</u>	<u>87,073</u>	<u>0</u>
Net change in fund balances	2,839,533	(1,409,228)	272,644	1,702,949
Fund balance beginning of year	3,292,064	9,891,628	2,278,270	15,461,962
Fund balance end of year	<u>\$ 6,131,597</u>	<u>8,482,400</u>	<u>2,550,914</u>	<u>17,164,911</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, 2006

Net change in fund balances - total governmental funds (page 18) \$ 1,702,949

*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	\$ 10,458,022	
Depreciation expense	<u>(1,960,708)</u>	8,497,314

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 are as follows:

Repaid	845,305
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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.

1,995

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>56,315</u>
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Changes in net assets of governmental activities (page 15) \$ 11,103,878

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents:	\$ 656,428
Accounts receivable	6,049
Inventories	122,918
Capital assets, net of accumulated depreciation(Note 6)	200,868
Total Assets	<u>986,263</u>
Liabilities	
Accounts payable	3,028
Salaries and benefits payable	185,024
Compensated absences payable	5,245
Unearned revenue	27,553
Total Liabilities	<u>220,850</u>
Net Assets	
Investment in capital assets, net of related debt	200,868
Unrestricted	564,545
Total Net Assets	<u>\$ 765,413</u>

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, 2006

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 1,102,531
TOTAL OPERATING REVENUES	1,102,531
OPERATING EXPENSES:	
Support services:	
Administrative services:	
Salaries	107,201
Services	46,593
Operation and maintenance of plant services:	
Services	66,525
Supplies	9,838
	230,157
Non-instructional programs:	
Food service operations:	
Salaries	914,462
Benefits	449,865
Services	17,025
Supplies	1,704,003
Depreciation	25,942
	3,111,297
TOTAL OPERATING EXPENSES	3,341,454
OPERATING LOSS	(2,238,923)
NON-OPERATING REVENUES:	
State sources	42,512
Federal sources	2,115,550
Interest income	21,006
TOTAL NON-OPERATING REVENUES	2,179,068
Change in net assets	(59,855)
Net assets beginning of year	825,268
Net assets end of year	\$ 765,413

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,057,351
Cash received from miscellaneous operating activities	47,556
Cash payments to employees for services	(1,457,404)
Cash payments to suppliers for goods or services	(1,581,100)
Net cash used in operating activities	(1,933,597)
Cash flows from non-capital financing activities:	
State grants received	42,512
Federal grants received	1,920,154
Net cash provided by non-capital financing activities	1,962,666
Cash flows from capital and related financing activities:	
Purchase of capital assets	(46,765)
Cash flows from investing activities:	
Interest on investments	21,006
Net increase in cash and cash equivalents	3,310
Cash and cash equivalents at beginning of year	653,118
Cash and cash equivalents at end of year	\$ 656,428
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,238,923)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	195,396
Depreciation	25,942
Decrease in inventories	62,031
Increase in accounts receivable	(6,049)
Increase in accounts payable	212
Increase in salaries and benefits payable	14,124
Increase in compensated absences payable	5,245
Increase in unearned revenue	8,425
Net cash used in operating activities	\$ (1,933,597)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 656,428

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$195,396.

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(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 Balances

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The

lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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 Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the 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. During the year, expenditures in the support services functional area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	<u>\$ 10,166,342</u>

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

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

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General Fund	<u>\$ 87,073</u>

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

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue, Physical Plant and Equipment Levy	\$ 5,927
Capital Projects	Special Revenue, Physical Plant and Equipment Levy	964,970
Debt Service	General	<u>179,466</u>
Total		<u>\$ 1,150,363</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, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 4,993,050	1,553	5,000,000	1,233

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, 2006.

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
2005-06A	4.000%	3.903%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 1,019,751	46,765	0	1,066,516
Less accumulated depreciation	839,706	25,942	0	865,648
Business-type activities capital assets, net	\$ 180,045	20,823	0	200,868

	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	3,674,525	10,431,427	795,080	13,310,872
Total capital assets not being depreciated	5,100,590	10,431,427	795,080	14,736,937
Capital assets being depreciated:				
Buildings and land improvements	51,657,584	795,080	0	52,452,664
Machinery and equipment	2,515,941	26,595	0	2,542,536
Total capital assets being depreciated	54,173,525	821,675	0	54,995,200
Less accumulated depreciation for:				
Buildings and land improvements	21,621,995	1,902,550	0	23,524,545
Machinery and equipment	2,363,047	58,158	0	2,421,205
Total accumulated depreciation	23,985,042	1,960,708	0	25,945,750
Total capital assets being depreciated, net	30,188,483	(1,139,033)	0	29,049,450
Governmental activities capital assets, net	\$ 35,289,073	9,292,394	795,080	43,786,387

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 7,117
Support services:		
Administration		19,698
Operation and maintenance of plant services		8,643
		35,458
Unallocated depreciation		1,925,250
Total governmental activities depreciation expense		\$ 1,960,708
Business-type activities:		
Food services		\$ 25,942
Total business-type activities depreciation expense		\$ 25,942

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 9,640,000	0	760,000	8,880,000	755,000
Asbestos Note	10,162	0	10,162	0	0
National School Fitness Loan	87,909	0	75,143	12,766	12,766
Compensated Absences	228,729	172,414	228,729	172,414	172,414
Total	\$ 9,966,800	172,414	1,074,034	9,065,180	940,180

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2002			
	Interest Rates	Principal	Interest	Total
2007	3.35-3.55 %	\$ 755,000	362,937	1,117,937
2008	3.65-3.80	785,000	336,048	1,121,048
2009	3.80-4.00	840,000	307,460	1,147,460
2010	4.00-4.10	1,000,000	271,000	1,271,000
2011	4.10-4.20	1,000,000	230,250	1,230,250
2012-2016	4.20-4.60	4,500,000	505,000	5,005,000
Total		\$ 8,880,000	2,012,695	10,892,695

National School Fitness Loan

Details of the District's June 30, 2006 National School Fitness Loan indebtedness are as follows:

Year Ending June 30,	Loan issue dated September 29, 2003			
	Interest Rate	Principal	Interest	Total
2007	3.30 %	\$ 12,766	53	12,819

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$2,625,627, \$2,595,796 and \$2,572,862 respectively, equal to the required contributions for each year.

(9) 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, 2006 were \$4,839.

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, 2006, no liability has been recorded in the District's financial statements. As of June 30, 2006, 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.

(10) 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 \$2,870,483 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The District has a deficit undesignated fund balances in the Special Revenue, Management Fund of \$79,147.

(12) Construction Commitments

The District has entered into various contracts totaling \$17,471,729 for various projects within the District. As of June 30, 2006, costs of \$13,310,872 had been incurred against the contracts. The balance of \$4,160,857 remaining at June 30, 2006 will be paid as work on the projects progresses.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

(14) Contingencies

As of June 30, 2006, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 37,818,442	1,123,537	38,941,979	37,334,981	37,334,981	1,606,998
State sources	47,028,209	42,512	47,070,721	47,077,766	47,077,766	(7,045)
Federal sources	5,499,459	2,115,550	7,615,009	6,520,000	6,520,000	1,095,009
Total revenues	90,346,110	3,281,599	93,627,709	90,932,747	90,932,747	2,694,962
Expenditures:						
Instruction	49,636,830	0	49,636,830	53,958,464	53,958,464	4,321,634
Support services	23,925,539	230,157	24,155,696	20,887,392	20,887,392	(3,268,304)
Non-instructional programs	13,634	3,111,297	3,124,931	3,664,243	3,664,243	539,312
Other expenditures	15,067,158	0	15,067,158	16,231,786	16,231,786	1,164,628
Total expenditures	88,643,161	3,341,454	91,984,615	94,741,885	94,741,885	2,757,270
Excess(deficiency) of revenues over(under) expenditures	1,702,949	(59,855)	1,643,094	(3,809,138)	(3,809,138)	5,452,232
Other financing sources, net	0	0	0	220,000	220,000	(220,000)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	1,702,949	(59,855)	1,643,094	(3,589,138)	(3,589,138)	5,232,232
Balance beginning of year	15,461,962	825,268	16,287,230	10,238,297	10,238,297	6,048,933
Balance end of year	\$ 17,164,911	765,413	17,930,324	6,649,159	6,649,159	11,281,165

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

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

In accordance with the Code of Iowa, the Board of 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 ended June 30, 2006, expenditures in the support Services functional area exceeded the amount budgeted.

OTHER SUPPLEMENTAL INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
Assets						
Cash and pooled investments	\$ 0	584,611	2,345,286	2,929,897	437,945	3,367,842
Receivables:						
Property tax:						
Current year delinquent	21,232	0	33,599	54,831	24,713	79,544
Succeeding year	1,200,000	0	1,658,479	2,858,479	1,117,937	3,976,416
Interfund	0	0	0	0	179,466	179,466
Total Assets	\$ 1,221,232	584,611	4,037,364	5,843,207	1,760,061	7,603,268
Liabilities and Fund Balances						
Liabilities:						
Excess of warrants issued over bank balance	\$ 86,859	0	0	86,859	0	86,859
Interfund payable	0	0	970,897	970,897	0	970,897
Accounts payable	13,520	0	4,662	18,182	0	18,182
Deferred revenue:						
Succeeding year property tax	1,200,000	0	1,658,479	2,858,479	1,117,937	3,976,416
Total liabilities	1,300,379	0	2,634,038	3,934,417	1,117,937	5,052,354
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	642,124	642,124
Unreserved	(79,147)	584,611	1,403,326	1,908,790	0	1,908,790
Total fund balances	(79,147)	584,611	1,403,326	1,908,790	642,124	2,550,914
Total Liabilities and Fund Balances	\$ 1,221,232	584,611	4,037,364	5,843,207	1,760,061	7,603,268

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, 2006

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
REVENUES:						
Local sources:						
Local tax	\$ 975,320	0	1,559,545	2,534,865	1,147,057	3,681,922
Other	0	1,556,930	159,994	1,716,924	29,646	1,746,570
State sources	781	0	1,220	2,001	898	2,899
TOTAL REVENUES	976,101	1,556,930	1,720,759	4,253,790	1,177,601	5,431,391
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	1,581,766	0	1,581,766	0	1,581,766
Support services:						
Administration services	463,041	0	2,779	465,820	600	466,420
Operation and maintenance of plant services	678,731	0	0	678,731	0	678,731
Transportation services	0	0	351,000	351,000	0	351,000
Other expenditures:						
Facilities acquisitions	0	0	933,468	933,468	0	933,468
Long-term debt:						
Principal	0	0	0	0	845,305	845,305
Interest	0	0	0	0	389,130	389,130
TOTAL EXPENDITURES	1,141,772	1,581,766	1,287,247	4,010,785	1,235,035	5,245,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(165,671)	(24,836)	433,512	243,005	(57,434)	185,571
OTHER FINANCING SOURCES:						
Transfers in	0	0	0	0	87,073	87,073
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(165,671)	(24,836)	433,512	243,005	29,639	272,644
FUND BALANCE BEGINNING OF YEAR	86,524	609,447	969,814	1,665,785	612,485	2,278,270
FUND BALANCE END OF YEAR	\$ (79,147)	584,611	1,403,326	1,908,790	642,124	2,550,914

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, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Thomas Jefferson SHS	\$ 124,626	476,740	467,131	134,235
Abraham Lincoln SHS	255,022	627,273	632,706	249,589
Kanesville AHS	19,427	9,006	10,068	18,365
Kirn JHS	98,873	177,278	202,381	73,770
Woodrow Wilson JHS	29,715	108,064	110,207	27,572
Bloomer	14,722	27,218	34,440	7,500
Carter Lake	3,137	14,302	14,916	2,523
Crescent	2,916	5,488	6,200	2,204
Edison	3,840	11,696	9,827	5,709
Franklin	12,917	14,721	13,774	13,864
Gunn	3,708	8,099	7,964	3,843
Hoover	2,512	24,588	22,845	4,255
Lewis & Clark	5,930	12,966	12,426	6,470
Longfellow	11,241	6,478	5,250	12,469
Pusey	2,770	3,513	2,823	3,460
Roosevelt	8,304	11,790	10,564	9,530
Rue	890	8,097	8,136	851
Walnut Grove	3,251	7,723	8,781	2,193
Washington	5,646	1,890	1,327	6,209
Total	<u>\$ 609,447</u>	<u>1,556,930</u>	<u>1,581,766</u>	<u>584,611</u>

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,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 32,358,320	29,558,248	28,021,949	26,035,065
Tuition	934,227	971,579	1,004,915	1,195,766
Other	4,525,895	4,052,423	4,079,776	3,148,225
State sources	47,028,209	45,044,989	44,039,083	44,209,157
Federal sources	5,499,459	5,380,725	5,787,580	4,879,250
Total	<u>\$ 90,346,110</u>	<u>85,007,964</u>	<u>82,933,303</u>	<u>79,467,463</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 28,609,550	29,155,128	30,176,923	27,662,747
Special instruction	16,567,128	18,282,359	17,447,372	15,556,149
Other instruction	4,460,152	4,859,342	4,434,406	4,632,680
Support services:				
Student services	4,054,876	2,849,159	3,303,589	6,250,117
Instructional staff services	1,803,741	813,753	1,326,278	1,658,885
Administration services	9,291,532	8,873,662	7,135,571	7,092,395
Operation and maintenance of plant services	6,532,393	5,532,584	5,278,446	5,555,555
Transportation services	2,242,997	1,888,832	1,871,585	2,006,382
Central support services	0	0	344,896	619,244
Non-instructional programs	13,634	0	13,282	7,000
Other expenditures:				
Facilities acquisitions	10,962,240	4,973,933	5,851,681	3,997,612
Long-term debt:				
Principal	845,305	841,074	811,336	638,367
Interest and other charges	389,130	432,941	466,849	557,645
AEA flow-through	2,870,483	2,783,962	2,780,666	2,919,538
Total	<u>\$ 88,643,161</u>	<u>81,286,729</u>	<u>81,242,880</u>	<u>79,154,316</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 06	\$ 195,396
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	266,961
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	1,526,492
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 06	78,716
NUTRITION EDUCATION AND TRAINING PROGRAM	10.564	FY 06	35,047
			<u>1,907,216</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 06	<u>12,938</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	1476-G-06	<u>1,723,455</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 06	<u>64,311</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 06	<u>40,558</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	<u>20,367</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 06	<u>1,248</u>
READING FIRST STATE GRANTS	84.357	FY 06	<u>225,754</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 06	<u>34,553</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	<u>489,093</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 06	<u>54,444</u>
ELEMENTARY AND SECONDARY EDUCATION HURRICANE RELIEF PROGRAMS	84.938	FY 06	<u>90,750</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 06	562,950
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 06	113,009
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)			
	84.318	FY 06	101,463
EARLY READING FIRST			
	84.359	FY 06	566,053
TOTAL			\$ 6,203,558

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)
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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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 12, 2006. 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-06 is a material weakness.

Compliance and Other Matters

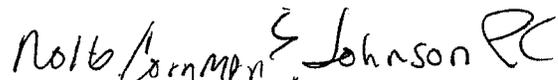
As part of obtaining reasonable assurance about whether Council Bluffs Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could 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, 2006 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 12, 2006

NOLTE, CORNMAN & JOHNSON P.C.
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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, 2006. 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, 2006.

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 12, 2006

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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
 - 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 84.359 - Early Reading First
- (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, 2006

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 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-06 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-06 Gate Admissions - We noted during our audit, that the gate admissions were not always reconciled to pre-numbered tickets.

Recommendation - Although, the District has procedures for gate reconciliations, the procedures are not always followed. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued, at each event in which the District collects admission.

Response - We have communicated the concerns to the Athletic Directors and they will comply with the recommendation.

Conclusion - Response accepted.

II-D-06 District and Regional Rents - We noted during our audit that the district should have received money for the use of facilities when they hosted the Marching Band Festival. These funds for use of the facilities were deposited into the Thomas Jefferson Band and Orchestra Parents account.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should request \$1,077.50 from Thomas Jefferson Band and Orchestra Parents for the facility usage and deposit this money into the General fund.

Response - This matter has been resolved.

Conclusion - Response accepted.

II-E-06 Student Activity Fund-Individuals Receiving Checks - We noted during our audit that the District wrote checks to individual students in the Student Activity fund. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students.

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

Response - The disbursement function for the Student Activity Fund is being brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

II-F-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response - We are currently requesting time sheets.

Conclusion - Response accepted.

II-G-06 Purchase Orders - We noted during our audit that purchase orders were dated after the supplies had been either ordered or received.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

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

Conclusion - Response accepted.

II-H-06 Activity Fund Invoices - We noted during our audit that expenditures made did not always have invoices to support the payment. We noted during our audit, instances of no supporting documentation to go with the cancelled check stubs and purchase orders at Edison Elementary for the first half of the fiscal year.

Recommendation - The District should present the bills for payment to the Board for proper approval in accordance with the district policy of payment of goods. The District should also review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice.

Response - The disbursement function for the Student Activity Fund is being brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

- II-I-06 Student Activity Fund - During our audit we questioned the propriety of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

More specifically, we noted expenditures out of the Student Council fund for staff meetings, paint for the faculty lounge and faculty Halloween reimbursements.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. Any revenues and expenditures not allowable in the Student Activity Fund should be recorded in the fund most allowable.

Response - The disbursement function for the Student Activity Fund is being brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

- II-J-06 Activity Fund Disbursements - We noted during our audit checks written to 'cash' out of the Student Activity Fund. These checks were taken to the bank and cash was given back for use in the registration process.

Recommendation - Checks written to 'cash' are bearer paper and may be cashed by anyone. The District should review their procedures to ensure that checks are not written to 'cash,' but should instead be written to the custodian of the cash.

Response - The disbursement function for the Student Activity Fund is being brought into the Central Office, so that the activity can be closely monitored.

Conclusion - Response accepted.

- II-K-06 Pre-numbered Receipting Procedures - We noted during our audit that the Student Activity Fund does not use pre-numbered receipts when money is collected from the students or when money is turned into the Activities office.

Recommendation - Better internal controls are achieved if the District uses pre-numbered receipts at multiple levels, and reconciles the receipts to deposits and revenues posted

when performing bank reconciliations. The District should review their procedures to ensure that internal control processes are being utilized at all levels of receipting.

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

Conclusion - Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

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, 2006

Part IV: Other Findings Related to Statutory Reporting

IV-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the support services functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We exceeded the budget due to the reclassification of expenditure to comply with the chart of account upload requirement of the Iowa Department of Education.

Conclusion - Response accepted.

IV-B-06 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-C-06 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-D-06 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-06 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-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-06 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2005 was understated. The District's certified enrollment count on line 1 was overstated by 1 student, and line 3 was understated by 2 students. This resulted in understating the total actual enrollment at line 7 by 1 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-H-06 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-I-06 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by October 15, 2006.

Recommendation - In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

IV-J-06 Financial Condition - During our audit we noted that the District had a deficit fund balance of \$79,147 in the Special Revenue, Management Levy Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We are monitoring the fund and are working to eliminate the deficit.

Conclusion - Response accepted.