

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

JUNE 30, 2009

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Council Bluffs Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 election)</b>		
Marvin Arnpriester	President	2010
Mark McGee	Vice President	2009
Gina Primmer	Board Member	2008
Janine Headen	Board Member	2008
J.J. Harvey	Board Member	2009
Glen Mitchell	Board Member	2009
Dave Coziahr	Board Member	2010
<b>Board of Education (After September 2008 election)</b>		
Marvin Arnpriester	President	2011 *
Mark McGee	Vice President	2009
Dave Coziahr	Board Member	2011 *
Gina Primmer	Board Member	2011
Bill Grove	Board Member	2011
J.J. Harvey	Board Member	2009
Glen Mitchell	Board Member	2009
<b>School Officials</b>		
Dr. Martha Bruckner	Superintendent	2009
Greg Rodgers	District Secretary/ Treasurer and Executive Director of Finance	2009

\* Board term altered per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
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, 2009, 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, 2009, 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.

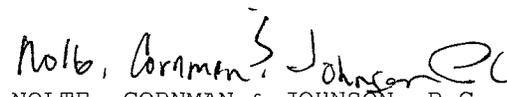
In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2010 on our consideration of the Council Bluffs Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Council Bluffs Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$84,522,030 in fiscal 2008 to \$87,867,081 in fiscal 2009, while General Fund expenditures increased from \$81,583,463 in fiscal 2008 to \$91,396,346 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$11,256,898 in fiscal 2008 to \$7,727,633 in fiscal 2009, a 31.35% decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2009. The increase in expenditures was due primarily to the increase in negotiated salaries and benefits.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 12.9% at June 30, 2008 to 8.41% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **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, as well as presenting the schedule of funding progress for the retiree health plan.

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.

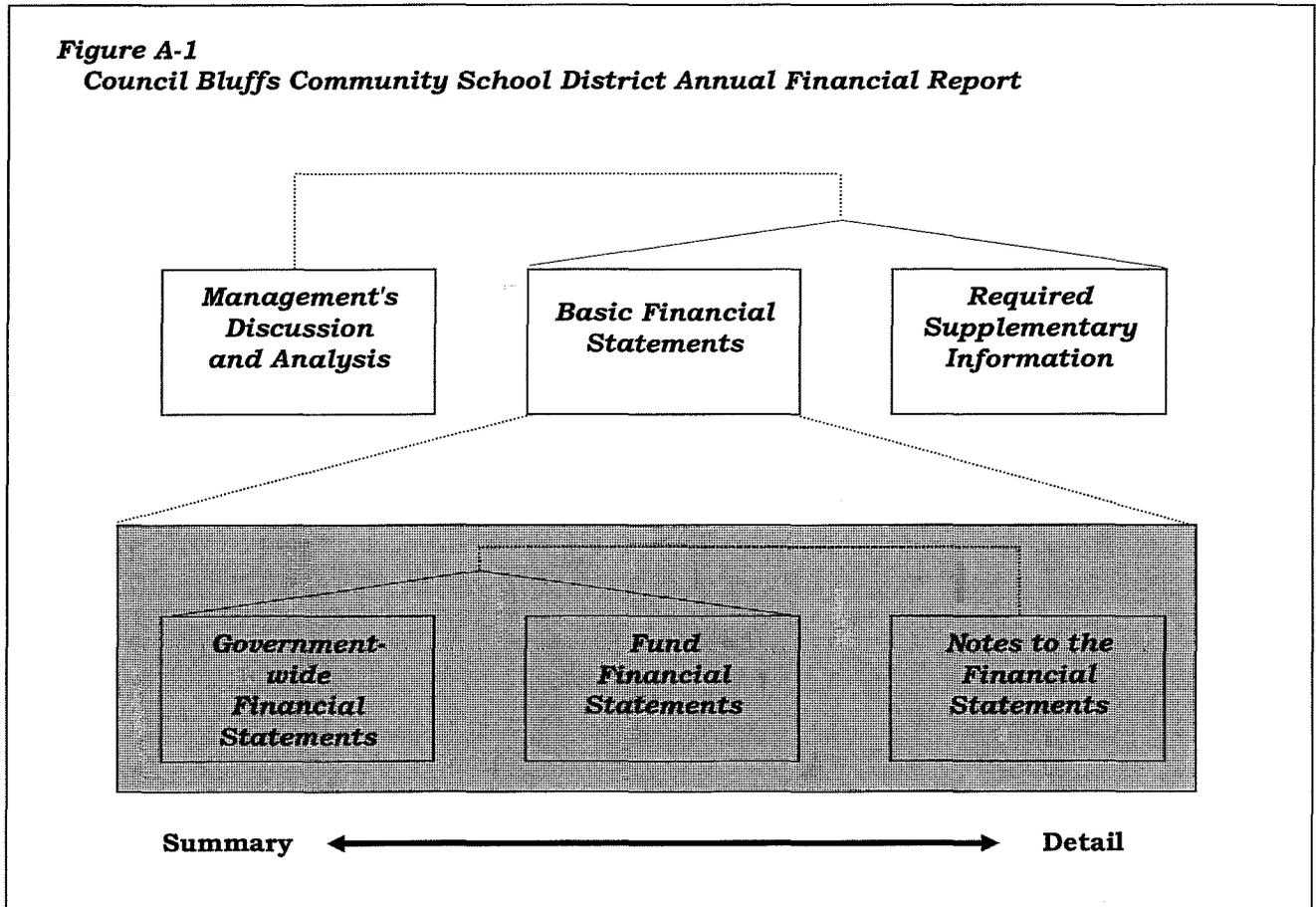


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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

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District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 58,969,217	40,118,862	155,219	183,990	59,124,436	40,302,852	46.70%
Capital assets	79,378,282	61,348,962	296,776	316,845	79,675,058	61,665,807	29.20%
Total assets	138,347,499	101,467,824	451,995	500,835	138,799,494	101,968,659	36.12%
Long-term obligations	7,020,728	7,572,789	14,275	0	7,035,003	7,572,789	-7.10%
Other liabilities	52,630,221	20,947,203	536,192	292,578	53,166,413	21,239,781	150.32%
Total liabilities	59,650,949	28,519,992	550,467	292,578	60,201,416	28,812,570	108.94%
Net assets:							
Invested in capital assets, net of related debt	72,878,282	54,008,962	296,776	316,845	73,175,058	54,325,807	34.70%
Restricted	4,218,239	8,165,000	0	0	4,218,239	8,165,000	-48.34%
Unrestricted	1,600,029	10,773,870	(395,248)	(108,588)	1,204,781	10,665,282	-88.70%
Total net assets	\$ 78,696,550	72,947,832	(98,472)	208,257	78,598,078	73,156,089	7.44%

The District's combined net assets increased by 7.44%, or \$5,441,989, 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 \$3,946,761, or 48.34% compared to the prior year. The decrease was primarily a result of the decrease in the Capital Projects Fund balance due to costs associated with continuing construction in the District.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$9,460,501, or 88.70%. This decrease in unrestricted net assets was a result of the decrease in the General Fund and Capital Projects Fund balance as well as the recording of the District's net OPEB liability during the year.

The decrease in fund balance for the General Fund can be attributable to the increase in negotiated salary and benefits for district employees. As for the Capital Projects Fund, the District was completing the project at Thomas Jefferson High School and beginning a very expensive portion over the summer for a project at Abraham Lincoln High School. The District had been awarded a \$1.5 million QZAB bond for the Abraham Lincoln High School project, but had not received the funds by the end of the fiscal year. The District also had a \$12 million line of credit with People's National Bank prior to bonding against the Capital Projects Fund that also was not received prior to the end of the fiscal year. These two factors created the drop in fund balance for the Capital Projects Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2008-09
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program revenues:							
Charges for services	\$ 3,160,026	2,543,948	1,184,225	1,099,665	4,344,251	3,643,613	19.23%
Operating grants and contributions and restricted interest	16,789,068	15,248,097	2,671,963	2,476,627	19,461,031	17,724,724	9.80%
Capital grants and contributions and restricted interest	1,479,500	157,000	0	0	1,479,500	157,000	842.36%
General revenues:							
Property tax	29,109,862	27,988,373	0	0	29,109,862	27,988,373	4.01%
Statewide sales and services tax	8,476,372	6,318,831	0	0	8,476,372	6,318,831	34.14%
Unrestricted state grants	42,057,021	42,243,873	0	0	42,057,021	42,243,873	-0.44%
Other	1,206,341	3,437,763	4,487	28,139	1,210,828	3,465,902	-65.06%
Total revenues	102,278,190	97,937,885	3,860,675	3,604,431	106,138,865	101,542,316	4.53%
Program expenses:							
Governmental activities:							
Instructional	62,671,904	56,795,905	0	0	62,671,904	56,795,905	10.35%
Support services	27,887,043	23,408,426	300,510	282,484	28,187,553	23,690,910	18.98%
Non-instructional programs	3,844	5,993	3,866,894	3,630,663	3,870,738	3,636,656	6.44%
Other expenses	5,966,681	5,665,797	0	0	5,966,681	5,665,797	5.31%
Total expenses	96,529,472	85,876,121	4,167,404	3,913,147	100,696,876	89,789,268	12.15%
Changes in net assets	5,748,718	12,061,764	(306,729)	(308,716)	5,441,989	11,753,048	-53.70%
Beginning Net Assets	72,947,832	60,886,068	208,257	516,973	73,156,089	61,403,041	19.14%
Ending Net Assets	\$ 78,696,550	72,947,832	(98,472)	208,257	78,598,078	73,156,089	7.44%

In fiscal 2009, property tax, statewide sales and service tax and unrestricted state grants account for 77.87% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.88% of the revenue from business type activities.

The District's total revenues were approximately \$106.14 million of which \$102.28 million was for governmental activities and \$3.86 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.53% increase in revenues and a 12.15% increase in expenses. Property tax increased approximately \$1.11 million to fund increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits, as well as increases in expenses related to the Net OPEB liability.

### Governmental Activities

Revenues for governmental activities were \$102,278,190 and expenses were \$96,529,472 for the year ended June 30, 2009. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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 for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 62,671,904	56,795,905	9.38%	44,813,005	42,398,003	5.39%
Support services	27,887,043	23,408,426	16.06%	27,712,342	23,200,710	16.28%
Non-instructional programs	3,844	5,993	-55.91%	3,844	5,993	-55.91%
Other expenses	5,966,681	5,665,797	5.04%	2,571,687	2,322,370	9.69%
Totals	<u>\$ 96,529,472</u>	<u>85,876,121</u>	<u>11.04%</u>	<u>75,100,878</u>	<u>67,927,076</u>	<u>9.55%</u>

- The cost financed by users of the District's programs was \$3,160,026.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$18,268,568.
- The net cost of governmental activities was financed with \$29,109,862 in property tax, \$8,476,372 in statewide sales and services tax, \$42,057,021 in unrestricted state grants, \$337,832 in interest income and \$868,509 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activity were \$3,860,675 and expenses were \$4,167,404. 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 \$6,358,230, below last year's ending fund balances of \$19,197,819. However, the primary reason for the decrease was due to decreases in General Fund balance and Capital Projects fund balance.

### Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in tax and federal grants resulted in an increase in revenues. The increase in revenues was not enough to offset the District's increase in General Fund expenditures, resulting in a fund balance decrease from \$11,256,898 to \$7,727,633.
- The Capital Projects Fund balance decreased from \$4,539,531 to a deficit \$5,343,318. The decline in Capital Projects Fund balance was caused by the District completing one project at Thomas Jefferson High School and beginning a very expensive portion over the summer for a project at Abraham Lincoln High School. The District had been awarded a \$1.5 million QZAB bond for the Abraham Lincoln high school project, but had not received the funds by the end of the fiscal year. The District also had a \$12 million line of credit with People's National Bank prior to bonding against the Capital Projects Fund that also was not received prior to the end of the fiscal year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$208,257 at June 30, 2008 to a deficit \$98,472 at June 30, 2009, representing a decrease of 147.28%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$706,775 less than budgeted revenues, a variance of 0.66%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$79.68 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 29.20% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,342,506.

The original cost of the District's capital assets was \$112.43 million. Governmental funds account for \$111.14 million with the remainder of \$1.29 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 \$27,991,261 at June 30, 2008, compared to \$43,940,207 reported at June 30, 2009. This increase resulted from construction that is being completed.

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,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 1,426,065	1,426,065	0	0	1,426,065	1,426,065	0.00%
Construction in progress	43,940,207	27,991,261	0	0	43,940,207	27,991,261	56.98%
Buildings and land improvements	33,890,161	31,790,066	0	0	33,890,161	31,790,066	6.61%
Machinery and equipment	121,849	141,570	296,776	316,845	418,625	458,415	-8.68%
Total	\$ 79,378,282	61,348,962	296,776	316,845	79,675,058	61,665,807	29.20%

### Long-Term Debt

At June 30, 2009, the District had \$7,030,820 in general obligation and other long-term debt outstanding. This represents a decrease of 7.16% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding General Obligation Bonds payable of \$6,500,000 at June 30, 2009.

The District had compensated absences payable at June 30, 2009 of \$356,744.

The District has a Net OPEB Liability of \$174,076.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General Obligation Bonds	\$ 6,500,000	7,340,000	0	0	6,500,000	7,340,000	-11.44%
Compensated Absences	346,652	232,789	10,092	0	356,744	232,789	53.25%
Net OPEB Liability	169,893	0	4,183	0	174,076	0	100.00%
Totals	\$ 7,016,545	7,572,789	14,275	0	7,030,820	7,572,789	-7.16%

## 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 State has not completely funded allowable growth. As the District continues to show a decline in enrollment, this results in receiving only 50% of the state's percentage of allowable growth funding.
- State and Federal grants are anticipated to be down, while fixed costs for utilities and busing service will increase.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

## 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, 2009

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 5,079,168	0	5,079,168
Other	19,228,256	0	19,228,256
Receivables:			
Property tax:			
Succeeding year	31,009,543	0	31,009,543
Accounts	708,193	26,735	734,928
Accrued ISCAP interest	627	0	627
Due from other governments	2,850,469	0	2,850,469
Inventories	92,961	128,484	221,445
Capital assets, net of accumulated depreciation	79,378,282	296,776	79,675,058
<b>Total Assets</b>	<b>138,347,499</b>	<b>451,995</b>	<b>138,799,494</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance			
	2,253,690	292,042	2,545,732
Accounts payable	4,093,173	1,471	4,094,644
Retainage payable	443,474	0	443,474
Loans payable	50,000	0	50,000
Salaries and benefits payable	9,369,589	220,462	9,590,051
ISCAP warrant payable	5,000,000	0	5,000,000
ISCAP interest payable	1,712	0	1,712
ISCAP unamortized premiums	96,790	0	96,790
Accrued interest payable	23,417	0	23,417
Deferred revenue:			
Succeeding year property tax	31,009,543	0	31,009,543
Other	293,016	0	293,016
Unearned revenue	0	22,217	22,217
Long-term liabilities:			
Portion due within one year:			
Bonds payable	1,000,000	0	1,000,000
Compensated absences payable	346,652	10,092	356,744
Portion due after one year:			
Bonds payable	5,500,000	0	5,500,000
Net OPEB liability	169,893	4,183	174,076
<b>Total Liabilities</b>	<b>59,650,949</b>	<b>550,467</b>	<b>60,201,416</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	72,878,282	296,776	73,175,058
Restricted for:			
Categorical funding	244,324	0	244,324
Debt service	723,545	0	723,545
Physical plant and equipment levy	1,903,465	0	1,903,465
Management levy	422,058	0	422,058
Other special revenue purposes	924,847	0	924,847
Unrestricted	1,600,029	(395,248)	1,204,781
<b>Total Net Assets</b>	<b>\$ 78,696,550</b>	<b>(98,472)</b>	<b>78,598,078</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Contributions and Restricted Interest	Contributions and Restricted Interest	Operating Grants, Capital Grants, Interest	Govern- mental Activities	Business Type Activities	
Expenses							
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 35,552,441	825,894	12,283,593	1,479,500	(20,963,454)	0	(20,963,454)
Special	15,462,239	1,045,202	940,176	0	(13,476,861)	0	(13,476,861)
Other	11,657,224	1,284,534	0	0	(10,372,690)	0	(10,372,690)
	<u>62,671,904</u>	<u>3,155,630</u>	<u>13,223,769</u>	<u>1,479,500</u>	<u>(44,813,005)</u>	<u>0</u>	<u>(44,813,005)</u>
Support services:							
Student	3,662,917	0	0	0	(3,662,917)	0	(3,662,917)
Instructional staff	1,183,863	0	0	0	(1,183,863)	0	(1,183,863)
Administration	12,004,345	0	0	0	(12,004,345)	0	(12,004,345)
Operation and maintenance of plant	8,439,853	0	0	0	(8,439,853)	0	(8,439,853)
Transportation	2,596,065	4,396	170,305	0	(2,421,364)	0	(2,421,364)
	<u>27,887,043</u>	<u>4,396</u>	<u>170,305</u>	<u>0</u>	<u>(27,712,342)</u>	<u>0</u>	<u>(27,712,342)</u>
Non-instruction:							
Community service operations	3,844	0	0	0	(3,844)	0	(3,844)
Other expenditures:							
Long-term debt interest	322,694	0	0	0	(322,694)	0	(322,694)
AEA flowthrough	3,394,994	0	3,394,994	0	0	0	0
Depreciation (unallocated)*	2,248,993	0	0	0	(2,248,993)	0	(2,248,993)
	<u>5,966,681</u>	<u>0</u>	<u>3,394,994</u>	<u>0</u>	<u>(2,571,687)</u>	<u>0</u>	<u>(2,571,687)</u>
Total governmental activities	96,529,472	3,160,026	16,789,068	1,479,500	(75,100,878)	0	(75,100,878)
Business Type activities:							
Support services:							
Instructional staff services	135	0	0	0	0	(135)	(135)
Administration services	234,626	0	0	0	0	(234,626)	(234,626)
Operation and maintenance of plant services	65,749	0	0	0	0	(65,749)	(65,749)
	<u>300,510</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(300,510)</u>	<u>(300,510)</u>
Non-instructional programs:							
Nutrition services	3,866,894	1,184,225	2,671,963	0	0	(10,706)	(10,706)
Total business type activities	4,167,404	1,184,225	2,671,963	0	0	(311,216)	(311,216)
Total	\$ 100,696,876	4,344,251	19,461,031	1,479,500	(75,100,878)	(311,216)	(75,412,094)
<b>General Revenues:</b>							
Property tax for:							
General purposes					\$ 26,115,321	0	26,115,321
Capital outlay					1,851,523	0	1,851,523
Debt service					1,143,018	0	1,143,018
Statewide sales and services tax					8,476,372	0	8,476,372
Unrestricted state grants					42,057,021	0	42,057,021
Unrestricted investment earnings					337,832	4,487	342,319
Other					868,509	0	868,509
Total general revenues					<u>80,849,596</u>	<u>4,487</u>	<u>80,854,083</u>
Changes in net assets					5,748,718	(306,729)	5,441,989
Net assets beginning of year					72,947,832	208,257	73,156,089
Net assets end of year					<u>\$ 78,696,550</u>	<u>(98,472)</u>	<u>78,598,078</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, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	\$ 5,079,168	0	0	5,079,168
Other	15,129,347	0	4,098,909	19,228,256
Receivables:				
Property tax:				
Succeeding year	26,334,061	0	4,675,482	31,009,543
Accounts	708,193	0	0	708,193
Accrued ISCAP interest	627	0	0	627
Due from other governments	2,222,861	627,608	0	2,850,469
Inventories	92,961	0	0	92,961
<b>Total Assets</b>	<b>\$ 49,567,218</b>	<b>627,608</b>	<b>8,774,391</b>	<b>58,969,217</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess of warrants issued over				
bank balance	\$ 0	2,253,690	0	2,253,690
Accounts payable	744,417	3,223,762	124,994	4,093,173
Retainage payable	0	443,474	0	443,474
Loans payable	0	50,000	0	50,000
Salaries and benefits payable	9,369,589	0	0	9,369,589
ISCAP warrants payable	5,000,000	0	0	5,000,000
ISCAP interest payable	1,712	0	0	1,712
ISCAP unamortized premiums	96,790	0	0	96,790
Deferred revenue:				
Succeeding year property tax	26,334,061	0	4,675,482	31,009,543
Other	293,016	0	0	293,016
Total liabilities	41,839,585	5,970,926	4,800,476	52,610,987
Fund balances:				
Reserved for:				
Inventories	92,961	0	0	92,961
Debt service	0	0	723,545	723,545
Categorical funding	244,324	0	0	244,324
Unreserved	7,390,348	(5,343,318)	3,250,370	5,297,400
Total fund balances	7,727,633	(5,343,318)	3,973,915	6,358,230
<b>Total Liabilities and Fund Balances</b>	<b>\$ 49,567,218</b>	<b>627,608</b>	<b>8,774,391</b>	<b>58,969,217</b>

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, 2009

<b>Total fund balances of governmental funds (page 15)</b>	\$ 6,358,230
 <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.	79,378,282
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.	(23,417)
Long-term liabilities, including bonds payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,016,545)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 78,696,550</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, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 24,649,349	8,476,372	4,460,513	37,586,234
Tuition	1,871,096	0	0	1,871,096
Other	2,580,160	13,899	1,460,325	4,054,384
State sources	53,221,318	0	0	53,221,318
Federal sources	5,545,158	0	0	5,545,158
Total revenues	87,867,081	8,490,271	5,920,838	102,278,190
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	35,654,436	0	0	35,654,436
Special	15,480,975	0	0	15,480,975
Other	10,559,764	0	1,146,878	11,706,642
	61,695,175	0	1,146,878	62,842,053
Support services:				
Student	3,675,037	0	0	3,675,037
Instructional staff	1,187,846	0	0	1,187,846
Administration	11,741,720	3,332	225,040	11,970,092
Operation and maintenance of plant	7,422,083	0	967,548	8,389,631
Transportation	2,275,647	0	351,000	2,626,647
	26,302,333	3,332	1,543,588	27,849,253
Non-instructional:				
Community service operations	3,844	0	0	3,844
Other expenditures:				
Facilities acquisitions	0	18,352,211	1,509,987	19,862,198
Long-term debt:				
Principal	0	0	840,000	840,000
Interest and fiscal charges	0	17,577	307,860	325,437
AEA flowthrough	3,394,994	0	0	3,394,994
	3,394,994	18,369,788	2,657,847	24,422,629
Total expenditures	91,396,346	18,373,120	5,348,313	115,117,779
Net change in fund balances	(3,529,265)	(9,882,849)	572,525	(12,839,589)
Fund balance beginning of year	11,256,898	4,539,531	3,401,390	19,197,819
Fund balance end of year	\$ 7,727,633	(5,343,318)	3,973,915	6,358,230

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, 2009

Net change in fund balances - total governmental funds (page 17) \$ (12,839,589)

*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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 20,330,334	
Depreciation expense	<u>(2,301,014)</u>	18,029,320

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:

840,000

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

2,743

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	(113,863)	
Other postemployment benefits	<u>(169,893)</u>	<u>(283,756)</u>

Changes in net assets of governmental activities (page 14) \$ 5,748,718

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition
<b>Assets</b>	
Receivables:	
Accounts	\$ 26,735
Inventories	128,484
Capital assets, net of accumulated depreciation	296,776
<b>Total Assets</b>	451,995
<b>Liabilities</b>	
Excess of warrants issued over bank balance	292,042
Accounts payable	1,471
Salaries and benefits payable	220,462
Net OPEB liability	4,183
Compensated absences payable	10,092
Unearned revenue	22,217
<b>Total Liabilities</b>	550,467
<b>Net Assets</b>	
Invested in capital assets	296,776
Unrestricted	(395,248)
<b>Total Net Assets</b>	\$ (98,472)

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, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 1,184,225
OPERATING EXPENSES:	
Support services:	
Instructional staff services:	
Services	135
Administrative services:	
Salaries	169,760
Benefits	38,784
Services	22,777
Supplies	3,305
Operation and maintenance of plant services:	
Services	65,373
Supplies	376
	300,510
Non-instructional programs:	
Food service operations:	
Salaries	1,224,702
Benefits	496,852
Services	20,735
Supplies	2,082,822
Depreciation	41,492
Other	291
	3,866,894
TOTAL OPERATING EXPENSES	4,167,404
OPERATING LOSS	(2,983,179)
NON-OPERATING REVENUES:	
State sources	46,771
Federal sources	2,625,192
Interest income	4,487
TOTAL NON-OPERATING REVENUES	2,676,450
Change in net assets	(306,729)
Net assets beginning of year	208,257
Net assets end of year	\$ (98,472)

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,157,232
Cash received from miscellaneous operating activities	25,090
Cash payments to employees for services	(1,897,326)
Cash payments to suppliers for goods or services	(1,951,226)
Net cash used in operating activities	(2,666,230)
Cash flows from non-capital financing activities:	
State grants received	46,771
Federal grants received	2,402,839
Net cash provided by non-capital financing activities	2,449,610
Cash flows from capital and related financing activities:	
Purchase of capital assets	(21,423)
Cash flows from investing activities:	
Interest on investments	4,487
Net decrease in cash and cash equivalents	(233,556)
Cash and cash equivalents at beginning of year	(58,486)
Cash and cash equivalents at end of year	\$ (292,042)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (2,983,179)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	222,353
Depreciation	41,492
Decrease in inventories	21,350
Decrease in accounts receivable	7,421
Increase in accounts payable	885
Increase in salaries and benefits payable	18,497
Increase in compensated absences payable	10,092
Decrease in unearned revenue	(9,324)
Increase in other postemployment benefits	4,183
Net cash used in operating activities	\$ (2,666,230)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ (292,042)
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$222,353.	
SEE NOTES TO FINANCIAL STATEMENTS.	

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**(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 fund is 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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Capital assets are depreciated using the straight line method 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, 2009. 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.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Iowa Schools Joint Investment Trust	\$ 1,027,180

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) 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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ 5,079,168	627	5,000,000	1,712

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, 2009.

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
2008-09A	3.500%	3.469%
2009-10A	2.500%	0.902%

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,426,065	0	0	1,426,065
Construction in progress	27,991,261	20,298,034	4,349,088	43,940,207
Total capital assets not being depreciated	29,417,326	20,298,034	4,349,088	45,366,272
Capital assets being depreciated:				
Buildings and land improvements	58,734,164	4,349,088	0	63,083,252
Machinery and equipment	2,661,639	32,300	0	2,693,939
Total capital assets being depreciated	61,395,803	4,381,388	0	65,777,191
Less accumulated depreciation for:				
Buildings and land improvements	26,944,098	2,248,993	0	29,193,091
Machinery and equipment	2,520,069	52,021	0	2,572,090
Total accumulated depreciation	29,464,167	2,301,014	0	31,765,181
Total capital assets being depreciated, net	31,931,636	2,080,374	0	34,012,010
Governmental activities capital assets, net	\$ 61,348,962	22,378,408	4,349,088	79,378,282

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 1,264,217	21,423	0	1,285,640
Less accumulated depreciation	947,372	41,492	0	988,864
Business-type activities capital assets, net	\$ 316,845	(20,069)	0	296,776

Depreciation expense was charged by the District as follows:

Governmental activities:		
Support services:		
Administration	\$ 35,308	
Operation and maintenance of plant services	7,672	
Transportation services	9,041	
	52,021	
Unallocated depreciation	2,248,993	
Total governmental activities depreciation expense	\$ 2,301,014	
Business-type activities:		
Food services	\$ 41,492	

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 7,340,000	0	840,000	6,500,000	1,000,000
Compensated absences	232,789	346,652	232,789	346,652	346,652
Net OPEB liability	0	169,893	0	169,893	0
<b>Total</b>	<b>\$ 7,572,789</b>	<b>516,545</b>	<b>1,072,789</b>	<b>7,016,545</b>	<b>1,346,652</b>
<b>Business-Type Activities:</b>					
Compensated absences	\$ 0	10,092	0	10,092	10,092
Net OPEB liability	0	4,183	0	4,183	0
<b>Total</b>	<b>\$ 0</b>	<b>14,275</b>	<b>0</b>	<b>14,275</b>	<b>10,092</b>

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2002			
	Interest Rates	Principal	Interest	Total
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	4.20-4.30	1,000,000	188,500	1,188,500
2013	4.30-4.40	1,000,000	145,750	1,145,750
2014	4.40-4.50	1,000,000	102,000	1,102,000
2015	4.50-4.60	1,000,000	57,250	1,057,250
2016	4.60	500,000	11,500	511,500
<b>Total</b>		<b>\$ 6,500,000</b>	<b>1,006,250</b>	<b>7,506,250</b>

(6) **Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual payroll for the years ended June 30, 2009, 2008 and 2007.

Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$3,381,307, \$3,088,597 and \$2,749,926 respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 1,069 active and 98 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Coventry. The dental benefit, which is a self-funded dental plan, is administered by Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability. There is no subsidy or OPEB liability associated with the dental benefit.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 711,076
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>711,076</u>
Contributions made	<u>(537,000)</u>
Increase in net OPEB obligation	174,076
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u>\$ 174,076</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For the fiscal year 2009, the District contributed \$537,000 to the medical plan. Plan members receiving benefits contributed \$713,000, or 57% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
July 1, 2008	\$ 711,076	75.52%	\$ 174,076

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$7.670 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.670 million. The covered payroll (annual payroll of active employees covered by the plan) was \$52.331 million, and the ratio of the UAAL to the covered payroll was 14.7%. As of June 30, 2009, there were no trust fund assets.

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

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

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.7% and is reduced each year until reaching the ultimate medical trend rate of 4%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were modeled from the retirement probabilities from the IPERS Actuarial Valuation Report as of

June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008. These probabilities were then modified to levels more appropriate for Iowa School Districts.

The projected claim costs of the dental plan are \$320 per month for all individuals. The projected claim costs of the medical plan are illustrated per month in the following table per age group and medical plan used for calculations in the actuarial.

Age	Medical Plan 1		Medical Plan 2		Medical Plan 3		Medical HMO	
	Male	Female	Male	Female	Male	Female	Male	Female
50	\$ 727	844	\$ 656	761	\$ 622	722	\$ 506	588
55	971	1,016	876	917	830	869	676	708
60	1,278	1,226	1,153	1,107	1,093	1,049	891	854
61	1,347	1,275	1,216	1,151	1,152	1,090	939	888
62	1,420	1,325	1,282	1,196	1,215	1,134	990	924
63	1,497	1,378	1,351	1,244	1,281	1,179	1,043	960
64	1,578	1,433	1,425	1,293	1,350	1,226	1,100	998

The salary increase rate was assumed to be 4.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,394,994 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Fund Balance**

The District had a deficit undesignated fund balance in the Enterprise, Nutrition Fund of \$395,248. The Capital Projects Fund had a deficit undesignated fund balance of \$5,343,318.

**(11) Construction Commitments**

The District has entered into various contracts for various projects within the District. As of June 30, 2009, costs of \$43,940,207 had been incurred against the contracts. The balance remaining at June 30, 2009 will be paid as work on the projects progresses.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Salary improvement program	\$ 27,997
Phase II	3,726
Textbook aid - non public students	29,894
Early childhood program - empowerment	75,643
Model core curriculum	76,727
Professional development	2,739
Market factor incentives	27,598
Total	<u>\$ 244,324</u>

**(13) Contingencies**

As of June 30, 2009, 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 SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 43,511,714	1,188,712	44,700,426	44,943,125	44,943,125	(242,699)
State sources	53,221,318	46,771	53,268,089	54,577,241	54,577,241	(1,309,152)
Federal sources	5,545,158	2,625,192	8,170,350	7,325,274	7,325,274	845,076
Total revenues	102,278,190	3,860,675	106,138,865	106,845,640	106,845,640	(706,775)
<b>Expenditures/Expenses:</b>						
Instruction	62,842,053	0	62,842,053	61,933,781	63,033,781	191,728
Support services	27,849,253	300,510	28,149,763	27,507,850	28,735,350	585,587
Non-instructional programs	3,844	3,866,894	3,870,738	3,570,941	3,970,941	100,203
Other expenditures	24,422,629	0	24,422,629	19,975,083	24,975,083	552,454
Total expenditures/expenses	115,117,779	4,167,404	119,285,183	112,987,655	120,715,155	1,429,972
Excess(deficiency) of revenues over(under) expenditures/expenses	(12,839,589)	(306,729)	(13,146,318)	(6,142,015)	(13,869,515)	723,197
Balance beginning of year	19,197,819	208,257	19,406,076	16,270,969	16,270,969	3,135,107
Balance end of year	\$ 6,358,230	(98,472)	6,259,758	10,128,954	2,401,454	3,858,304

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment reclassifying budgeted expenditures from the other expenditures to the instruction and support services functional areas. During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$7,727,500.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$ 7,670	\$ 7,670	0.0%	\$ 52,331	14.7%

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

OTHER SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 422,058	944,087	2,009,219	3,375,364	723,545	4,098,909
Receivables:						
Property tax:						
Succeeding year	1,450,000	0	1,954,482	3,404,482	1,271,000	4,675,482
<b>Total Assets</b>	<b>\$ 1,872,058</b>	<b>944,087</b>	<b>3,963,701</b>	<b>6,779,846</b>	<b>1,994,545</b>	<b>8,774,391</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 0	19,240	105,754	124,994	0	124,994
Deferred revenue:						
Succeeding year property tax	1,450,000	0	1,954,482	3,404,482	1,271,000	4,675,482
Total liabilities	1,450,000	19,240	2,060,236	3,529,476	1,271,000	4,800,476
Fund balances:						
Reserved for:						
Debt Service	0	0	0	0	723,545	723,545
Unreserved	422,058	924,847	1,903,465	3,250,370	0	3,250,370
Total fund balances	422,058	924,847	1,903,465	3,250,370	723,545	3,973,915
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,872,058</b>	<b>944,087</b>	<b>3,963,701</b>	<b>6,779,846</b>	<b>1,994,545</b>	<b>8,774,391</b>

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, 2009

	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	\$ 1,465,972	0	1,851,523	3,317,495	1,143,018	4,460,513
Other	34,281	1,284,501	138,148	1,456,930	3,395	1,460,325
<b>TOTAL REVENUES</b>	<b>1,500,253</b>	<b>1,284,501</b>	<b>1,989,671</b>	<b>4,774,425</b>	<b>1,146,413</b>	<b>5,920,838</b>
EXPENDITURES:						
Current:						
Instruction:						
Other	0	1,146,878	0	1,146,878	0	1,146,878
Support services:						
Administration	224,168	0	872	225,040	0	225,040
Operation and maintenance of plant	923,653	0	43,895	967,548	0	967,548
Transportation	0	0	351,000	351,000	0	351,000
Other expenditures:						
Facilities acquisitions	0	0	1,509,987	1,509,987	0	1,509,987
Long-term debt:						
Principal	0	0	0	0	840,000	840,000
Interest and fiscal charges	0	0	0	0	307,860	307,860
<b>TOTAL EXPENDITURES</b>	<b>1,147,821</b>	<b>1,146,878</b>	<b>1,905,754</b>	<b>4,200,453</b>	<b>1,147,860</b>	<b>5,348,313</b>
Excess(Deficiency) of revenues over(under) expenditures	352,432	137,623	83,917	573,972	(1,447)	572,525
Fund balance beginning of year	69,626	787,224	1,819,548	2,676,398	724,992	3,401,390
Fund balance end of year	\$ 422,058	924,847	1,903,465	3,250,370	723,545	3,973,915

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
District-Wide	\$ 52,562	7,283	59,845	0
Bloomer	13,925	13,313	8,540	18,698
Carter Lake	11,478	34,725	27,562	18,641
Crescent	5,777	4,878	3,917	6,738
Edison	11,966	7,819	14,436	5,349
Franklin	19,962	12,784	13,862	18,884
Gunn	7,900	4,119	1,342	10,677
Hoover	2,844	34,315	8,565	28,594
Lewis & Clark	10,367	11,338	5,581	16,124
Longfellow	16,312	2,844	401	18,755
Pusey	4,249	2,690	1,425	5,514
Roosevelt	13,489	18,518	16,020	15,987
Rue	7,347	6,950	2,261	12,036
Walnut Grove	7,101	8,604	5,557	10,148
Washington	5,121	4,310	1,253	8,178
Kirn JHS	88,004	103,158	72,893	118,269
Woodrow Wilson JHS	29,108	95,216	71,794	52,530
Tucker Center	494	37,777	33,630	4,641
Thomas Jefferson SHS	84,001	361,497	330,094	115,404
Abraham Lincoln SHS	376,287	511,093	461,317	426,063
Kanesville AHS	18,930	1,270	6,583	13,617
Total	\$ 787,224	1,284,501	1,146,878	924,847

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 37,586,234	34,307,204	33,800,638	32,358,320	29,558,248	28,021,949
Tuition	1,871,096	1,157,712	1,001,119	934,227	971,579	1,004,915
Other	4,054,384	6,119,926	5,364,504	4,525,895	4,052,423	4,079,776
State sources	53,221,318	52,207,460	48,469,877	47,028,209	45,044,989	44,039,083
Federal sources	5,545,158	4,145,583	5,027,629	5,499,459	5,380,725	5,787,580
<b>Total</b>	<b>\$ 102,278,190</b>	<b>97,937,885</b>	<b>93,663,767</b>	<b>90,346,110</b>	<b>85,007,964</b>	<b>82,933,303</b>
Expenditures:						
Instruction:						
Regular	\$ 35,654,436	35,657,047	30,386,159	28,609,550	29,155,128	30,176,923
Special	15,480,975	12,469,039	18,280,727	16,567,128	18,282,359	17,447,372
Other	11,706,642	8,651,760	4,984,498	4,460,152	4,859,342	4,434,406
Support services:						
Student	3,675,037	3,453,440	4,465,882	4,054,876	2,849,159	3,303,589
Instructional staff	1,187,846	1,118,647	1,138,998	1,803,741	813,753	1,326,278
Administration	11,970,092	10,059,458	9,430,215	9,291,532	8,873,662	7,135,571
Operation and maintenance of plant	8,389,631	7,202,071	7,335,816	6,532,393	5,532,584	5,278,446
Transportation	2,626,647	2,474,717	2,337,870	2,242,997	1,888,832	1,871,585
Central support	0	0	0	0	0	344,896
Non-instructional programs	3,844	5,993	3,272	13,634	0	13,282
Other expenditures:						
Facilities acquisitions	19,862,198	14,154,164	8,549,845	10,962,240	4,973,933	5,851,681
Long-term debt:						
Principal	840,000	785,000	767,766	845,305	841,074	811,336
Interest and other charges	325,437	336,448	362,989	389,130	432,941	466,849
AEA flow-through	3,394,994	3,186,427	3,022,000	2,870,483	2,783,962	2,780,666
<b>Total</b>	<b>\$ 115,117,779</b>	<b>99,554,211</b>	<b>91,066,037</b>	<b>88,643,161</b>	<b>81,286,729</b>	<b>81,242,880</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 323,536
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	2,068,116
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	63,880
			<u>2,455,532</u>
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM			
	10.561	FY 09	<u>46,107</u>
FRESH FRUIT AND VEGETABLE PROGRAM			
	10.582	FY 09	<u>123,553</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1476-G	1,952,183
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 09	48,502
			<u>2,000,685</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS			
	84.186	FY 09	<u>43,559</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH			
	84.196	FY 08	24,332
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 09	26,521
			<u>50,853</u>
INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA)			
	84.027	FY 09	<u>600</u>
READING FIRST STATE GRANTS			
	84.357	FY 09	<u>182,701</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS			
	84.365	FY 09	<u>69,046</u>
IMPROVING TEACHER QUALITY STATE GRANTS			
	84.367	FY 09	<u>518,062</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES (TITLE VIA)			
	84.369	FY 09	<u>57,688</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 09	<u>796,012</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 09	545,314
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT			
	84.391	FY 09	296,649
			<u>841,963</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 09	121,711
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)			
	84.318	FY 09	64,962
EARLY READING FIRST			
	84.359	FY 09	278,942
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
AREA EDUCATION AGENCY:			
DRUG FREE COMMUNITIES SUPPORT PROGRAM			
	93.276	FY 09	168,239
CENTERS FOR DISEASE CONTROL AND PREVENTION INVESTIGATIONS AND TECHNICAL ASSISTANCE (HARKIN WELLNESS GRANT)			
	93.283	FY 09	7,200
TOTAL			<u>\$ 7,827,415</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Council Bluffs Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Council Bluffs Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Council Bluffs Community School District's financial statements that is more than inconsequential will not be prevented or detected by Council Bluffs Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Council Bluffs Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

#### Compliance and Other Matters

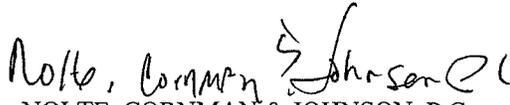
As part of obtaining reasonable assurance about whether Council Bluffs Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

January 29, 2010

**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, 2009. 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 grant 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, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2010

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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 significant deficiencies 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 Service Program for Children
  - Clustered
    - CFDA Number 84.027 - Special Education - Grants to States(Part B)
    - CFDA Number 84.391 - Special Education - Grants to States(Part B), Recovery Act
  - Individual
    - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund(SFSF) Education State Grants, (Recovery Act)
- (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, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Accounting Software - The District converted to Crosspoint accounting software on October 1, 2008. During our audit, we noted the financial information generated from the accounting software appears to have inconsistent data between reports. Instances of inconsistent data are the following:

- Balances on detailed transaction reports did not agree with summary report balances.
- The software system currently has an exported report showing revenues and expenditures for the Student Activity Fund. Buildings in the District use this report to monitor the activities of clubs associated with each building. Revenue and expense amounts shown on the exported report do not agree with revenues and expenses shown in the general ledger. The variance appears to be occurring because not all general ledger accounts are falling into the exported report.
- The software does not appear to have a safeguard system to prevent potential out of balance adjustments, therefore allowing the system to be out of balance.
- The software does not appear to have any standardized reports such as balance sheets and income statements. Individuals must set up their own reports on the system. This appears to create inefficiencies in obtaining information necessary for comparison purposes.
- With regard to bank reconciliations, the software system appears to allow the user to clear outstanding checks and deposits made by the District. However, it appears that the listings are not date sensitive to the reconciliation process. Therefore, the District has been exporting the listing and completing bank reconciliations manually rather than on the accounting software.

Recommendation - The District is currently conducting a search for a different accounting software system. The District should be aware of the requirements and applications that are needed to conduct the financial accounting records for the District. Until the District finds a suitable accounting software system, District personnel must maintain due diligence in reading the current software generated reports and monitoring inconsistencies.

Response - We are continuing to learn more about the software to be sure that our processes and reports are accurate. We have also begun to create new reports that will be more informative to staff as they review their accounts. We plan to have a new software system by the end of the 2010 fiscal year.

Conclusion - Response accepted.

II-B-09 Bank Reconciliations - We noted during our audit that the District did not reconcile the bank statements to the general ledger on a timely basis. Outstanding transfers between funds should be recorded in a timely manner rather than continually shown as reconciling items on bank reconciliations. Reconciling items such as bank fees, credit card fees and interest are not being posted to the general ledger in the month the transactions actually occurred.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis. Bank fees and interest should be posted and cleared in the month of occurrence.

Response - The change in accounting software required a learning process to be able to perform bank reconciliations accurately and timely. The inconsistencies created by the accounting software system made reconciliations more difficult to perform. We will prepare bank reconciliations accurately and timely in the future.

Conclusion - Response accepted.

#### CONTROL DEFICIENCIES:

II-C-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however purchase orders were being completed after the product had already been received.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The purchase order process in the General, Management, PPEL, Sales Tax and Debt Service Funds follow the correct timely process except in extreme circumstances. We are still working with the buildings to have them plan enough in advance to make requisitions prior to making purchases. We continue to monitor the Activity Fund process and are continuing to make progress.

Conclusion - Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 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-09 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-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Except for the first two minutes of the fiscal year, the District sent all Board meeting minutes within the two week requirement.

Conclusion - Response accepted.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 10, four-year-old preschool children, was understated by 9.0.

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-09 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-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		8,476,372
Expenditures/Transfers out:		
School infrastructure:		
Buildings		<u>8,476,372</u>
Ending Balance	\$	<u>0</u>

IV-L-09 Financial Condition - During our audit we noted that the District had a deficit unrestricted fund balance of \$395,248 in the Enterprise, Nutrition Fund. The Capital Projects Fund had a deficit undesignated balance of \$5,343,318. The Student Activity Fund also has several individual accounts with deficit balances.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We continue to try to improve our financial position in the Enterprise, Nutrition Fund. The fluctuation in the cost of goods and transportation has increased beyond our pricing of meals to students which in turn has had a large effect on financial position. As for the Capital Projects Fund, the District was completing one high school project and beginning a very expensive portion over the summer for a project at the second high school. We have been awarded a QZAB bond for the second high school project, but had not received the funds by the end of the fiscal year. We also had a line of credit prior to bonding against the sales tax fund that also was not received prior to the end of the fiscal year.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Nutrition and Activity Funds which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District understands what needs to be done with regard to outstanding checks over one year. The District will follow the recommendation.

Conclusion - Response accepted.

IV-N-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual , “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.

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).

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund and make the necessary transfers to the more appropriate funds where the revenues and expenditures should be recorded.

Response - With the transition of centralizing Student Activity Fund processes over the past couple of years, the District realizes that the individual buildings were used to handling these processes on their own. The District continues to train personnel on the appropriate ways processes need to be handled. The District has made considerable progress in correcting inappropriate expenditures from the Student Activity Fund.

Conclusion - Response accepted.