

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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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 2009 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>Board of Education (After September 2009 election)</b>		
Marvin Arnpriester	President	2011
Dave Coziahr	Vice President	2011
Gina Primmer	Board Member	2011
Bill Grove	Board Member	2011
J.J. Harvey	Board Member	2013
Glen Mitchell	Board Member	2013
Kim Townsend	Board Member	2013
<b>School Officials</b>		
Dr. Martha Bruckner	Superintendent	2010
Greg Rodgers	District Secretary/ Treasurer and Executive Director of Finance	2010



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

## **Certified Public Accountants**

(a professional corporation)

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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, 2010, 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, 2010, 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 December 8, 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 7 through 16 and 44 through 46 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 the six years ended June 30, 2009 (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.

December 8, 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$87,867,081 in fiscal 2009 to \$89,665,402 in fiscal 2010. The increase in General Fund revenues can be attributed to increases in property tax, tuition revenues and federal grant revenues received by the District. General Fund expenditures increased from \$91,396,346 in fiscal 2009 to \$95,056,812 in fiscal 2010 due in part to increases in negotiated salaries and benefits received by District employees. The difference between fiscal 2010 revenues of \$89,665,402 and expenses of \$95,056,812 results in a net decrease in fund balance of \$5,391,410. As a result, the District's General Fund balance decreased from \$7,727,633 in fiscal 2009 to a balance of \$2,336,223 in fiscal 2010. This represents a 69.77% decrease from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 8.41% at June 30, 2009 to 1.60% at June 30, 2010. 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-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</b>			
<b>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, 2010 compared to June 30, 2009.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 78,342,552	58,969,217	167,584	155,219	78,510,136	59,124,436	32.79%
Capital assets	99,840,391	79,378,282	346,059	296,776	100,186,450	79,675,058	25.74%
Total assets	178,182,943	138,347,499	513,643	451,995	178,696,586	138,799,494	28.74%
Long-term obligations	55,405,828	7,020,728	23,847	14,275	55,429,675	7,035,003	687.91%
Other liabilities	44,807,846	52,630,221	829,414	536,192	45,637,260	53,166,413	-14.16%
Total liabilities	100,213,674	59,650,949	853,261	550,467	101,066,935	60,201,416	67.88%
Net assets:							
Invested in capital assets, net of related debt	45,980,391	72,878,282	346,059	296,776	46,326,450	73,175,058	-36.69%
Restricted	32,025,342	4,218,239	0	0	32,025,342	4,218,239	659.21%
Unrestricted	(36,464)	1,600,029	(685,677)	(395,248)	(722,141)	1,204,781	-159.94%
Total net assets	\$ 77,969,269	78,696,550	(339,618)	(98,472)	77,629,651	78,598,078	-1.23%

The District's combined net assets decreased by 1.23%, or \$968,427, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 659.21%, or \$27,807,103 compared to the prior year. The increase was primarily a result of the increase in the Debt Service Fund balance due to the creation of reserve and sinking accounts for District bond issuances during the fiscal year. The increase in Capital Projects Fund balance from unused funds from the District's bond issuances during the year also contributed to the increase in restricted net assets.

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 \$1,926,922, or 159.94%. The decrease in unrestricted fund balance was mainly a result of the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

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,
	2010	2009	2010	2009	2010	2009	2009-10
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 3,267,045	3,160,026	1,138,501	1,184,225	4,405,546	4,344,251	1.41%
Operating grants and contributions and restricted interest	23,542,567	16,789,068	3,086,515	2,671,963	26,629,082	19,461,031	36.83%
Capital grants and contributions and restricted interest	0	1,479,500	94,145	0	94,145	1,479,500	-93.64%
<b>General revenues:</b>							
Property tax	31,247,742	29,109,862	0	0	31,247,742	29,109,862	7.34%
Statewide sales, services and use tax	7,831,107	8,476,372	0	0	7,831,107	8,476,372	-7.61%
Unrestricted state grants	35,722,662	42,057,021	0	0	35,722,662	42,057,021	-15.06%
Other	1,345,335	1,206,341	28,965	4,487	1,374,300	1,210,828	13.50%
<b>Total revenues</b>	<b>102,956,458</b>	<b>102,278,190</b>	<b>4,348,126</b>	<b>3,860,675</b>	<b>107,304,584</b>	<b>106,138,865</b>	<b>1.10%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	67,458,592	62,671,904	0	0	67,458,592	62,671,904	7.64%
Support services	27,976,731	27,887,043	315,278	300,510	28,292,009	28,187,553	0.37%
Non-instructional programs	0	3,844	4,273,994	3,866,894	4,273,994	3,870,738	10.42%
Other expenses	8,628,146	5,966,681	0	0	8,628,146	5,966,681	44.61%
<b>Total expenses</b>	<b>104,063,469</b>	<b>96,529,472</b>	<b>4,589,272</b>	<b>4,167,404</b>	<b>108,652,741</b>	<b>100,696,876</b>	<b>7.90%</b>
Changes in net assets	(1,107,011)	5,748,718	(241,146)	(306,729)	(1,348,157)	5,441,989	-124.77%
Beginning Net Assets, as restated	79,076,280	72,947,832	(98,472)	208,257	78,977,808	73,156,089	7.96%
Ending Net Assets	\$ 77,969,269	78,696,550	(339,618)	(98,472)	77,629,651	78,598,078	-1.23%

In fiscal 2010, property tax, statewide sales, service and use tax and unrestricted state grants account for 72.65% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.33% of the revenue from business type activities.

The District's total revenues were approximately \$107.30 million of which \$102.95 million was for governmental activities and \$4.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.10% increase in revenues and a 7.90% increase in expenses. Property tax increased approximately \$2.14 million to fund increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits received by District employees.

### Governmental Activities

Revenues for governmental activities were \$102,956,458 and expenses were \$104,063,469 for the year ended June 30, 2010. 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, 2010 compared to the year ended June 30, 2009.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 67,458,592	62,671,904	7.10%	44,521,171	44,813,005	-0.66%
Support services	27,976,731	27,887,043	0.32%	27,874,374	27,712,342	0.58%
Non-instructional programs	0	3,844	-100.00%	0	3,844	-100.00%
Other expenses	8,628,146	5,966,681	30.85%	4,858,312	2,571,687	47.07%
Totals	<u>\$ 104,063,469</u>	<u>96,529,472</u>	<u>7.24%</u>	<u>77,253,857</u>	<u>75,100,878</u>	<u>2.79%</u>

- The cost financed by users of the District's programs was \$3,267,045.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$23,542,567.
- The net cost of governmental activities was financed with \$31,247,742 in property tax, \$7,831,107 in statewide sales, services and use tax, \$35,722,662 in unrestricted state grants, \$58,431 in interest income and \$1,286,904 in other general revenues.

### Business type Activities

Revenues of the District's business type activity were \$4,348,126 and expenses were \$4,589,272. 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 \$34,114,469, above last year's ending fund balances of \$6,358,230. However, the primary reason for the increase in combined fund balances was due to increases in the Capital Projects and Debt Service Funds 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 \$7,727,633 to \$2,336,223.
- The Capital Projects Fund balance increased from a deficit \$5,343,318 in fiscal 2009 to a positive fund balance of \$24,074,199 in fiscal 2010. The increase in Capital Projects Fund balance was caused by remaining monies from the issuance of revenue, QZAB and QSCB bonds during the fiscal year.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from a deficit \$98,472 at June 30, 2009 to a deficit \$339,618 at June 30, 2010, representing a decrease of 244.89%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$6,337,149 less than budgeted revenues, a variance of 5.58%. Even though local tax revenue increased in fiscal 2010, the reduction in state sources caused the total amount received to be less 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.

During the year ended June 30, 2010, the District amended the budget once to reflect increased expenditures. In spite of this, the certified budget was still exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget again.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$99.99 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 25.51% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$2,585,436.

The original cost of the District's capital assets was \$135.86 million. Governmental funds account for \$134.48 million with the remainder of \$1.38 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the intangible assets category. The District's intangible assets totaled \$189,865 at June 30, 2010, compared to \$0 reported at June 30, 2009. The increase in intangible assets was due to retroactively enacting GASB statement 51 for the District's investment in the Crosspointe accounting software.

Figure A-6  
Capital Assets, Net of Depreciation, as Restated

	Governmental		Business type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 1,530,039	1,426,065	0	0	1,530,039	1,426,065	7.29%
Construction in progress	64,242,664	43,940,207	0	0	64,242,664	43,940,207	46.20%
Buildings and land improvements	33,764,713	33,890,161	0	0	33,764,713	33,890,161	-0.37%
Machinery and equipment	113,110	121,849	346,059	296,776	459,169	418,625	9.69%
Intangibles	189,865	379,730	0	0	189,865	379,730	100.00%
Total	\$ 99,650,526	79,758,012	346,059	296,776	99,996,585	79,675,058	25.51%

## Long-Term Debt

At June 30, 2010, the District had \$55,429,675 in general obligation and other long-term debt outstanding. This represents an increase of 688.38% 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 \$5,500,000 at June 30, 2010.

The District had outstanding Revenue Bonds payable of \$41,210,000 at June 30, 2010.

The District had outstanding QZAB Bonds payable of \$1,500,000 at June 30, 2010.

The District had outstanding QSCB Bonds payable of \$5,650,000 at June 30, 2010.

The District had compensated absences payable at June 30, 2010 of \$367,671.

During fiscal year 2010, the District offered an early retirement plan to employees. The liability for early retirement was \$947,514.

The District has a Net OPEB Liability of \$254,490.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General Obligation Bonds	\$ 5,500,000	6,500,000	0	0	5,500,000	6,500,000	-15.38%
Revenue Bonds	41,210,000	0	0	0	41,210,000	0	100.00%
QZAB Bonds	1,500,000	0	0	0	1,500,000	0	100.00%
QSCB Bonds	5,650,000	0	0	0	5,650,000	0	100.00%
Compensated Absences	349,939	346,652	17,732	10,092	367,671	356,744	3.06%
Early Retirement	947,514	0	0	0	947,514	0	100.00%
Net OPEB Liability	248,375	169,893	6,115	4,183	254,490	174,076	46.19%
Totals	\$ 55,405,828	7,016,545	23,847	14,275	55,429,675	7,030,820	688.38%

## 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 national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2011 year.

- 
- 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.

### **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 Kristy Hansen, Director of Financial Services, 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, 2010

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 41,178,252	0	41,178,252
Receivables:			
Property tax:			
Delinquent	510,805	0	510,805
Succeeding year	31,009,543	0	31,009,543
Accounts	2,455,229	9,965	2,465,194
Due from other governments	3,149,195	48,084	3,197,279
Inventories	39,528	109,535	149,063
Capital assets, net of accumulated depreciation	99,840,391	346,059	100,186,450
<b>Total Assets</b>	<b>178,182,943</b>	<b>513,643</b>	<b>178,696,586</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	0	564,541	564,541
Accounts payable	3,449,271	8,446	3,457,717
Salaries and benefits payable	9,266,457	222,548	9,489,005
Accrued interest payable	579,763	0	579,763
Deferred revenue:			
Succeeding year property tax	31,009,543	0	31,009,543
Other	502,812	0	502,812
Unearned revenue	0	33,879	33,879
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,000,000	0	1,000,000
Early retirement payable	447,213	0	447,213
Compensated absences payable	349,939	17,732	367,671
Portion due after one year:			
General obligation bonds payable	4,500,000	0	4,500,000
Revenue bonds payable	41,210,000	0	41,210,000
Quality zone academy bond payable	1,500,000	0	1,500,000
Qualified school construction bonds payable	5,650,000	0	5,650,000
Early retirement payable	500,301	0	500,301
Net OPEB liability	248,375	6,115	254,490
<b>Total Liabilities</b>	<b>100,213,674</b>	<b>853,261</b>	<b>101,066,935</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	45,980,391	346,059	46,326,450
Restricted for:			
Categorical funding	863,075	0	863,075
Debt service	4,394,780	0	4,394,780
Physical plant and equipment levy	2,166,810	0	2,166,810
Capital projects	24,074,199	0	24,074,199
Other special revenue purposes	526,478	0	526,478
Unrestricted	(36,464)	(685,677)	(722,141)
<b>Total Net Assets</b>	<b>\$ 77,969,269</b>	<b>(339,618)</b>	<b>77,629,651</b>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Contributions and Restricted Services	Contributions and Restricted Interest	Capital Grants, and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 34,647,427	1,423,111	17,922,903	0	(15,301,413)	0	(15,301,413)
Special	27,982,803	1,245,901	1,757,974	0	(24,978,928)	0	(24,978,928)
Other	4,828,362	587,532	0	0	(4,240,830)	0	(4,240,830)
	<u>67,458,592</u>	<u>3,256,544</u>	<u>19,680,877</u>	<u>0</u>	<u>(44,521,171)</u>	<u>0</u>	<u>(44,521,171)</u>
Support services:							
Student	2,626,530	0	0	0	(2,626,530)	0	(2,626,530)
Instructional staff	1,992,777	0	0	0	(1,992,777)	0	(1,992,777)
Administration	12,155,610	0	0	0	(12,155,610)	0	(12,155,610)
Operation and maintenance of plant	8,344,341	0	0	0	(8,344,341)	0	(8,344,341)
Transportation	2,857,473	10,501	91,856	0	(2,755,116)	0	(2,755,116)
	<u>27,976,731</u>	<u>10,501</u>	<u>91,856</u>	<u>0</u>	<u>(27,874,374)</u>	<u>0</u>	<u>(27,874,374)</u>
Other expenditures:							
Facilities acquisitions	1,533,888	0	0	0	(1,533,888)	0	(1,533,888)
Long-term debt interest	1,031,922	0	0	0	(1,031,922)	0	(1,031,922)
AEA flowthrough	3,769,834	0	3,769,834	0	0	0	0
Depreciation(unallocated)*	2,292,502	0	0	0	(2,292,502)	0	(2,292,502)
	<u>8,628,146</u>	<u>0</u>	<u>3,769,834</u>	<u>0</u>	<u>(4,858,312)</u>	<u>0</u>	<u>(4,858,312)</u>
Total governmental activities	104,063,469	3,267,045	23,542,567	0	(77,253,857)	0	(77,253,857)
Business Type activities:							
Support services:							
Instructional staff services	3,729	0	0	0	0	(3,729)	(3,729)
Administration services	279,752	0	53,465	0	0	(226,287)	(226,287)
Operation and maintenance of plant services	31,797	0	0	94,145	0	62,348	62,348
	<u>315,278</u>	<u>0</u>	<u>53,465</u>	<u>94,145</u>	<u>0</u>	<u>(167,668)</u>	<u>(167,668)</u>
Non-instructional programs:							
Nutrition services	4,273,994	1,138,501	3,033,050	0	0	(102,443)	(102,443)
Total business type activities	4,589,272	1,138,501	3,086,515	94,145	0	(270,111)	(270,111)
Total	<u>\$ 108,652,741</u>	<u>4,405,546</u>	<u>26,629,082</u>	<u>94,145</u>	<u>(77,253,857)</u>	<u>(270,111)</u>	<u>(77,523,968)</u>
<b>General Revenues:</b>							
Property tax for:							
General purposes					\$ 28,042,065	0	28,042,065
Capital outlay					1,942,484	0	1,942,484
Debt service					1,263,193	0	1,263,193
Statewide sales, services and use tax					7,831,107	0	7,831,107
Unrestricted state grants					35,722,662	0	35,722,662
Unrestricted investment earnings					58,431	1,254	59,685
Other					1,286,904	27,711	1,314,615
Total general revenues					<u>76,146,846</u>	<u>28,965</u>	<u>76,175,811</u>
Changes in net assets					(1,107,011)	(241,146)	(1,348,157)
Net assets beginning of year, as restated					<u>79,076,280</u>	<u>(98,472)</u>	<u>78,977,808</u>
Net assets end of year					<u>\$ 77,969,269</u>	<u>(339,618)</u>	<u>77,629,651</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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 9,103,461	24,300,317	7,774,474	41,178,252
Receivables:				
Property tax:				
Delinquent	434,140	0	76,665	510,805
Succeeding year	26,334,061	0	4,675,482	31,009,543
Accounts	2,455,194	0	35	2,455,229
Due from other governments	1,702,870	1,446,119	206	3,149,195
Inventories	39,528	0	0	39,528
<b>Total Assets</b>	<b>\$ 40,069,254</b>	<b>25,746,436</b>	<b>12,526,862</b>	<b>78,342,552</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,632,609	1,672,237	144,425	3,449,271
Salaries and benefits payable	9,263,549	0	2,908	9,266,457
Deferred revenue:				
Succeeding year property tax	26,334,061	0	4,675,482	31,009,543
Other	502,812	0	0	502,812
Total liabilities	37,733,031	1,672,237	4,822,815	44,228,083
Fund balances:				
Reserved for:				
Inventories	39,528	0	0	39,528
Debt service	0	0	4,394,780	4,394,780
Categorical funding	863,075	0	0	863,075
Unreserved	1,433,620	24,074,199	3,309,267	28,817,086
Total fund balances	2,336,223	24,074,199	7,704,047	34,114,469
<b>Total Liabilities and Fund Balances</b>	<b>\$ 40,069,254</b>	<b>25,746,436</b>	<b>12,526,862</b>	<b>78,342,552</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, 2010

<b>Total fund balances of governmental funds (page 20)</b>	\$	34,114,469
 <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.		99,840,391
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.		(579,763)
Long-term liabilities, including bonds payable, compensated absences payable, early retirement 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>(55,405,828)</u>
<b>Net assets of governmental activities (page 18)</b>	<b>\$</b>	<b><u>77,969,269</u></b>

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, 2010

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 26,553,346	7,831,107	4,664,844	39,049,297
Tuition	2,246,918	0	0	2,246,918
Other	3,463,748	2,024	788,787	4,254,559
State sources	47,056,622	0	4,294	47,060,916
Federal sources	10,344,768	0	0	10,344,768
Total revenues	<u>89,665,402</u>	<u>7,833,131</u>	<u>5,457,925</u>	<u>102,956,458</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	34,086,154	0	0	34,086,154
Special	27,812,408	0	0	27,812,408
Other	3,751,295	0	985,813	4,737,108
	<u>65,649,857</u>	<u>0</u>	<u>985,813</u>	<u>66,635,670</u>
Support services:				
Student	2,558,412	0	0	2,558,412
Instructional staff	1,979,168	0	12,811	1,991,979
Administration	11,284,184	103,315	323,888	11,711,387
Operation and maintenance of plant	7,336,243	0	1,013,600	8,349,843
Transportation	2,479,114	0	351,000	2,830,114
	<u>25,637,121</u>	<u>103,315</u>	<u>1,701,299</u>	<u>27,441,735</u>
Other expenditures:				
Facilities acquisitions	0	22,664,744	1,442,629	24,107,373
Long-term debt:				
Principal	0	0	1,000,000	1,000,000
Interest and fiscal charges	0	0	475,576	475,576
AEA flowthrough	3,769,834	0	0	3,769,834
	<u>3,769,834</u>	<u>22,664,744</u>	<u>2,918,205</u>	<u>29,352,783</u>
Total expenditures	<u>95,056,812</u>	<u>22,768,059</u>	<u>5,605,317</u>	<u>123,430,188</u>
Deficiency of revenues under expenditures	(5,391,410)	(14,934,928)	(147,392)	(20,473,730)
Other financing sources(uses):	0			
Transfers in	0	0	3,750,200	3,750,200
Transfers out	0	(3,750,200)	0	(3,750,200)
Refunding bond issuance	0	0	5,500,000	5,500,000
Quality zone academy bonds issuance	0	1,500,000	0	1,500,000
Qualified school construction bonds issuance	0	5,650,000	0	5,650,000
Revenue bond issuance	0	41,210,000	0	41,210,000
Premium on bond issuances	0	360,550	66,090	426,640
Accrued interest on bond issuances	0	0	127,622	127,622
Bond discounts	0	(369,475)	(31,088)	(400,563)
Bond issuance costs	0	(248,430)	(35,300)	(283,730)
Payment to escrow	0	0	(5,500,000)	(5,500,000)
Total other financing sources(uses)	<u>0</u>	<u>44,352,445</u>	<u>3,877,524</u>	<u>48,229,969</u>
Net change in fund balances	(5,391,410)	29,417,517	3,730,132	27,756,239
Fund balance beginning of year	7,727,633	(5,343,318)	3,973,915	6,358,230
Fund balance end of year	<u>\$ 2,336,223</u>	<u>24,074,199</u>	<u>7,704,047</u>	<u>34,114,469</u>

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ 27,756,239

*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	\$ 22,635,714	
Depreciation expense	(2,536,258)	20,082,379
Loss on disposal of capital assets	<u>(17,077)</u>	

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issuances and repayments are as follows:

Issued	\$ (48,360,000)	
Repaid	<u>1,000,000</u>	(47,360,000)

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.

(556,346)

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	(3,287)	
Early retirement	(947,514)	
Other postemployment benefits	<u>(78,482)</u>	<u>(1,029,283)</u>

Changes in net assets of governmental activities (page 19) \$ (1,107,011)

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Accounts receivable	\$ 9,655
Due from other governments	48,394
Inventories	109,535
Total current assets	167,584
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	346,059
Total non-current assets	346,059
<b>TOTAL ASSETS</b>	<b>513,643</b>
<b>LIABILITIES</b>	
Current liabilities:	
Excess of warrants issued over bank balance	564,541
Accounts payable	8,446
Salaries and benefits payable	222,548
Unearned revenue	33,879
Total current liabilities	829,414
Long-term liabilities:	
Compensated absences payable	17,732
Net OPEB liability	6,115
Total long-term liabilities	23,847
<b>TOTAL LIABILITIES</b>	<b>853,261</b>
<b>NET ASSETS</b>	
Invested in capital assets	346,059
Unrestricted	(685,677)
<b>TOTAL NET ASSETS</b>	<b>\$ (339,618)</b>

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, 2010

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 1,138,501
Miscellaneous	27,711
TOTAL OPERATING REVENUES	1,166,212
OPERATING EXPENSES:	
Support services:	
Instructional staff services:	
Services	3,629
Supplies	100
Administrative services:	
Salaries	205,752
Benefits	48,161
Services	24,362
Supplies	1,477
Operation and maintenance of plant services:	
Services	31,748
Supplies	49
	315,278
Non-instructional programs:	
Food service operations:	
Salaries	1,343,368
Benefits	553,443
Services	9,778
Supplies	2,318,227
Depreciation	49,178
	4,273,994
TOTAL OPERATING EXPENSES	4,589,272
OPERATING LOSS	(3,423,060)
NON-OPERATING REVENUES:	
State sources	41,556
Federal sources	3,139,104
Interest income	1,254
TOTAL NON-OPERATING REVENUES	3,181,914
Change in net assets	(241,146)
Net assets beginning of year	(98,472)
Net assets end of year	\$ (339,618)

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,141,215
Cash received from miscellaneous operating activities	27,711
Cash payments to employees for services	(2,139,066)
Cash payments to suppliers for goods or services	(2,099,542)
Net cash used in operating activities	(3,069,682)
Cash flows from non-capital financing activities:	
State grants received	41,556
Federal grants received	2,852,834
Net cash provided by non-capital financing activities	2,894,390
Cash flows from capital and related financing activities:	
Purchase of capital assets	(98,461)
Cash flows from investing activities:	
Interest on investments	1,254
Net decrease in cash and cash equivalents	(272,499)
Cash and cash equivalents at beginning of year	(292,042)
Cash and cash equivalents at end of year	\$ (564,541)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (3,423,060)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	263,904
Depreciation	49,178
Decrease in inventories	18,949
Increase in accounts receivable	(8,948)
Increase in accounts payable	6,975
Increase in salaries and benefits payable	2,086
Increase in compensated absences payable	7,640
Increase in unearned revenue	11,662
Increase in other postemployment benefits	1,932
Net cash used in operating activities	\$ (3,069,682)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received  
Federal commodities valued at \$263,904.

SEE NOTES TO FINANCIAL STATEMENTS.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**(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 service.

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 500
Buildings	5,000
Land improvements	5,000
Intangibles	200,000
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
Intangibles	5 years
Machinery and equipment	5-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned 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. For the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$10,607,800 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows.

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/2009	6/23/2010	\$ 0	2,500,000	2,500,000	0

During the year ended June 30, 2010, the District paid \$124,306 of interest on the ISCAP warrants.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 1,285,640	98,461	0	1,384,101
Less accumulated depreciation	988,864	49,178	0	1,038,042
Business type activities capital assets, net	\$ 296,776	49,283	0	346,059

	Balance			Balance
	Beginning of Year,			End
	as restated	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,426,065	103,974	0	1,530,039
Construction in progress	43,940,207	22,335,429	2,032,972	64,242,664
Total capital assets not being depreciated	<u>45,366,272</u>	<u>22,335,429</u>	<u>2,032,972</u>	<u>65,772,703</u>
Capital assets being depreciated/amortized:				
Buildings and land improvements	63,083,252	2,167,054	0	65,250,306
Machinery and equipment	2,693,939	62,229	253,734	2,502,434
Intangible assets	949,326	0	0	949,326
Total capital assets being depreciated/amortized	<u>66,726,517</u>	<u>2,229,283</u>	<u>253,734</u>	<u>68,702,066</u>
Less accumulated depreciation/amortization for:				
Buildings and land improvements	29,193,091	2,292,502	0	31,485,593
Machinery and equipment	2,572,090	53,891	236,657	2,389,324
Intangible assets	569,596	189,865	0	759,461
Total accumulated depreciation/amortization	<u>32,334,777</u>	<u>2,536,258</u>	<u>236,657</u>	<u>34,634,378</u>
Total capital assets being depreciated/amortized, net	<u>34,391,740</u>	<u>(306,975)</u>	<u>17,077</u>	<u>34,067,688</u>
Governmental activities capital assets, net	<u>\$ 79,758,012</u>	<u>22,028,454</u>	<u>2,050,049</u>	<u>99,840,391</u>

Depreciation expense/amortization was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 18,297
Other	2,189
Support services:	
Administration	199,875
Operation and maintenance of plant services	13,113
Transportation services	10,282
	<u>243,756</u>
Unallocated depreciation	<u>2,292,502</u>
Total governmental activities depreciation expense/amortization	<u>\$ 2,536,258</u>
Business type activities:	
Food services	<u>\$ 49,178</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 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	\$ 6,500,000	5,500,000	6,500,000	5,500,000	1,000,000
Revenue bonds	0	41,210,000	0	41,210,000	0
Quality zone academy bonds	0	1,500,000	0	1,500,000	0
Qualified school construction bonds	0	5,650,000	0	5,650,000	0
Compensated absences	346,652	349,939	346,652	349,939	349,939
Early retirement	0	962,585	15,071	947,514	447,213
Net OPEB liability	169,893	78,482	0	248,375	0
<b>Total</b>	<b>\$ 7,016,545</b>	<b>55,251,006</b>	<b>6,861,723</b>	<b>55,405,828</b>	<b>1,797,152</b>
<b>Business Type Activities:</b>					
Compensated absences	\$ 10,092	17,732	10,092	17,732	17,732
Net OPEB liability	4,183	1,932	0	6,115	0
<b>Total</b>	<b>\$ 14,275</b>	<b>19,664</b>	<b>10,092</b>	<b>23,847</b>	<b>17,732</b>

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2010			
	Interest Rates	Principal	Interest	Total
2011	1.750	% \$ 1,000,000	103,417	1,103,417
2012	1.750	1,000,000	77,625	1,077,625
2013	1.750	1,000,000	60,125	1,060,125
2014	1.875	1,000,000	42,312	1,042,312
2015	1.875	1,000,000	23,563	1,023,563
2016	1.900	500,000	4,750	504,750
	<b>Total</b>	<b>\$ 5,500,000</b>	<b>311,792</b>	<b>5,811,792</b>

Revenue Bonds

Details of the District's June 30, 2010, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2010 Series A			Bond Issue of April 1, 2010 Series B			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	3.000 % \$	-	455,198	4.000 % \$	-	936,881	\$ -	1,392,079	1,392,079
2012	3.000	-	546,238	4.000	-	1,249,175	-	1,795,413	1,795,413
2013	3.000	510,000	538,537	4.000	1,100,000	1,227,175	1,610,000	1,765,712	3,375,712
2014	3.000	525,000	523,063	4.000	1,120,000	1,182,775	1,645,000	1,705,838	3,350,838
2015	3.000	550,000	506,938	4.000	1,140,000	1,137,575	1,690,000	1,644,513	3,334,513
2016-2020	3.000-4.000	3,000,000	2,228,188	4.000	6,215,000	4,968,375	9,215,000	7,196,563	16,411,563
2021-2025	4.000-4.375	3,600,000	1,565,406	4.250-4.500	7,520,000	3,546,263	11,120,000	5,111,669	16,231,669
2026-2030	4.500-4.750	5,025,000	673,299	4.500-5.000	10,905,000	1,590,600	15,930,000	2,263,899	18,193,899
Total		<u>\$ 13,210,000</u>	<u>7,036,867</u>		<u>\$ 28,000,000</u>	<u>15,838,819</u>	<u>\$ 41,210,000</u>	<u>22,875,686</u>	<u>64,085,686</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$41,210,000 bonds issued March 1, 2010 and April 1, 2010. The bonds were issued for the purpose of defraying a portion of the costs of renovating buildings within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 18 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$64,085,686. For the current year there was no principal and interest payments due on the bonds and total statewide sales, services and use tax revenues were \$7,831,107.

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

- a) \$3,420,425 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) The District will make transfers from the statewide sales, services and use tax account and those proceeds shall be placed in a Revenue Account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

During the year ended June 30, 2010, the District made principal and interest payments totaling \$1,281,500 under the agreements.

#### Early Retirement

The District offered a voluntary early retirement incentive plan to its regular full-time (employee who works a minimum of thirty-seven and a half hours per week) and regular part-time (employee who works a minimum of twenty hours per week) employees for fiscal year 2010 only.

Regular full-time employees are teachers, administrators, administrative assistants/secretaries or nurses that work a minimum of nine months or more each fiscal year and regular full-time administrative assistants/secretaries must work a minimum of twelve months each fiscal year and are employed as defined in the collective bargaining agreement with the Communication Workers of America. Regular part-time employees are teachers or nurses that work a minimum of twenty hours per week.

Eligible employees must have reached age 55 at the actual date of retirement and are eligible to receive benefits from the Iowa Public Employees' Retirement System. The application is subject to approval by the District's Board of Education.

Early retirement benefits are for twenty-four months and are equal to \$700 per month for regular full-time employees while part-time regular employees will receive a pro-rated share of \$700 per month based on the percentage of time the employee is contracted to work. Retirees have the option to receive the early retirement benefit as a cash payment or as payment of insurance premiums offered through the District's health insurance plan. For those retirees that choose the health insurance option, the premiums will be deducted from the early retirement benefit on a post-tax basis. Any remaining benefit after the payment of premiums each month will be paid to the retiree.

Early retirement benefits paid during the year ended June 30, 2010, totaled \$15,071. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

#### Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2010, the District issued Quality Zone Academy Bonds which are held by Security Bank of Kansas City. Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024, of \$1,500,000. Details of the District's June 30, 2010, QZAB bond indebtedness is as follows:

Year					
QZAB Bond Issue of November 24, 2009					
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2011	2.60 %	\$ -	33,750	33,750	
2012	2.60	-	33,750	33,750	
2013	2.60	-	33,750	33,750	
2014	2.60	-	33,750	33,750	
2015	2.60	-	33,750	33,750	
2016-2020	2.60	-	168,750	168,750	
2021-2025	2.60	1,500,000	151,875	1,651,875	
	Total	\$ 1,500,000	489,375	1,989,375	

#### Qualified School Construction Bonds

During the year ended June 30, 2010, the District issued Qualified School Construction Bonds (QSCB). Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2025, of \$5,650,000.

Year					
QSCB Bond Issue of November 24, 2009					
Ending	Interest				
June 30,	Rates	Principal	Interest	Total	
2011	2.60 %	\$ -	161,998	161,998	
2012	2.60	-	146,900	146,900	
2013	2.60	-	146,900	146,900	
2014	2.60	-	146,900	146,900	
2015	2.60	-	146,900	146,900	
2016-2020	2.60	-	734,500	734,500	
2021-2025	2.60	-	734,500	734,500	
2026	2.60	5,650,000	73,450	5,723,450	
	Total	\$ 5,650,000	2,292,048	7,942,048	

#### **(6) Advance Refunding**

On May 1, 2010, the District issued \$5,500,000 in general obligation bonds to advance refund \$5,500,000 to call the outstanding general obligation bonds dated April 1, 2002. The new advance refunding bonds have been added to the appropriate financial statements and schedules. The present value savings of this bond refunding is \$413,272.

#### **(7) 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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$3,821,828, \$3,381,307 and \$3,088,597 respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

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, 2010, 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	7,833
Adjustment to annual required contribution	(6,495)
Annual OPEB cost (expense)	<u>712,414</u>
Contributions made	<u>(632,000)</u>
Increase in net OPEB obligation	80,414
Net OPEB obligation - beginning of year	<u>174,076</u>
Net OPEB obligation - end of year	<u><u>\$ 254,490</u></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, 2010.

For the fiscal year 2010, the District contributed \$632,000 to the medical plan. Plan members receiving benefits contributed \$844,000, 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, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 712,414	88.71%	\$ 254,490

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, 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 \$57.052 million, and the ratio of the UAAL to the covered payroll was 13.4%. As of June 30, 2010, 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 6.3% 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.

**(9) 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.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,769,834 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Net Assets**

The District had a deficit unrestricted net assets in the Enterprise, Nutrition Fund of \$685,677. The District also had a deficit unrestricted net assets balance in the governmental activities of \$36,464.

**(12) Construction Commitments**

The District has entered into various contracts for various projects within the District. As of June 30, 2010, costs of \$64,242,664 had been incurred against the contracts. The balance remaining at June 30, 2010 will be paid as work on the projects progresses.

**(13) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

Project	Amount
Teacher salary supplement	\$ 468,732
Reading recovery	8,266
Textbook aid - non public students	28,597
Early childhood program - empowerment	75,643
Model core curriculum	189,232
Professional development	91,133
Beginning teacher mentoring	1,472
Total	<u>\$ 863,075</u>

**(14) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the non-instructional function exceeded the amounts budgeted.

**(15) Contingencies**

As of June 30, 2010, 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.

**(16) Operating Lease Obligation**

The District leases buses for student transportation. Annual lease payments are \$351,000.

**(17) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Beginning net assets and capital assets for governmental activities were restated to retroactively report intangible assets acquired prior to July 1, 2009, as follows:

	Net Assets	Capital Assets
Balances June 30, 2009, as previously reported	\$ 78,696,550	\$ 79,378,282
Increase for intangible assets, less accumulated amortization	379,730	379,730
Balances July 1, 2009, as restated	<u>\$ 79,076,280</u>	<u>\$ 79,758,012</u>

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, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 45,550,774	1,167,466	46,718,240	47,530,940	47,530,940	(812,700)
State sources	47,060,916	41,556	47,102,472	58,566,667	58,566,667	(11,464,195)
Federal sources	10,344,768	3,139,104	13,483,872	7,544,126	7,544,126	5,939,746
Total revenues	102,956,458	4,348,126	107,304,584	113,641,733	113,641,733	(6,337,149)
<b>Expenditures/Expenses:</b>						
Instruction	66,635,670	0	66,635,670	66,772,724	67,772,724	1,137,054
Support services	27,441,735	315,278	27,757,013	28,758,231	30,158,231	2,401,218
Non-instructional programs	0	4,273,994	4,273,994	4,033,382	4,238,382	(35,612)
Other expenditures	29,352,783	0	29,352,783	31,792,299	36,652,299	7,299,516
Total expenditures/expenses	123,430,188	4,589,272	128,019,460	131,356,636	138,821,636	10,802,176
Excess(deficiency) of revenues over(under) expenditures/expenses	(20,473,730)	(241,146)	(20,714,876)	(17,714,903)	(25,179,903)	4,465,027
Other financing sources, net	48,229,969	0	48,229,969	17,500,000	17,500,000	30,729,969
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	27,756,239	(241,146)	27,515,093	(214,903)	(7,679,903)	35,194,996
Balance beginning of year	6,358,230	(98,472)	6,259,758	13,408,888	13,408,888	(7,149,130)
Balance end of year	\$ 34,114,469	(339,618)	33,774,851	13,193,985	5,728,985	28,045,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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, 2010, the District adopted one budget amendment increasing budgeted expenditures by \$7,465,000.

During the year ended June 30, 2010, expenditures in the non-instructional programs function exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 7,670	\$ 7,670	0.0%	\$ 52,331	14.7%
2010	July 1, 2008	\$ -	\$ 7,670	\$ 7,670	0.0%	\$ 57,052	13.4%

See Note 8 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, 2010

	Special Revenue Funds					
	Management Levy	Student Activity	Physical	Total	Debt Service	Total
			Plant and Equipment Levy	Special Revenue Funds		
<b>Assets</b>						
Cash and pooled investments	\$ 622,058	575,951	2,201,530	3,399,539	4,374,935	7,774,474
Receivables:						
Property tax:						
Delinquent	23,904	0	31,971	55,875	20,790	76,665
Succeeding year	1,450,000	0	1,954,482	3,404,482	1,271,000	4,675,482
Accounts	0	35	0	35	0	35
Due from other governments	67	0	84	151	55	206
<b>Total Assets</b>	<b>\$ 2,096,029</b>	<b>575,986</b>	<b>4,188,067</b>	<b>6,860,082</b>	<b>5,666,780</b>	<b>12,526,862</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 27,142	49,508	66,775	143,425	1,000	144,425
Salaries and benefits payable	2,908	0	0	2,908	0	2,908
Deferred revenue:						
Succeeding year property tax	1,450,000	0	1,954,482	3,404,482	1,271,000	4,675,482
Total liabilities	1,480,050	49,508	2,021,257	3,550,815	1,272,000	4,822,815
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	4,394,780	4,394,780
Unreserved	615,979	526,478	2,166,810	3,309,267	0	3,309,267
Total fund balances	615,979	526,478	2,166,810	3,309,267	4,394,780	7,704,047
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,096,029</b>	<b>575,986</b>	<b>4,188,067</b>	<b>6,860,082</b>	<b>5,666,780</b>	<b>12,526,862</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, 2010

	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	\$ 1,462,070	0	1,940,725	3,402,795	1,262,049	4,664,844
Other	34,024	587,444	161,225	782,693	6,094	788,787
State sources	1,391	0	1,759	3,150	1,144	4,294
<b>TOTAL REVENUES</b>	<b>1,497,485</b>	<b>587,444</b>	<b>2,103,709</b>	<b>4,188,638</b>	<b>1,269,287</b>	<b>5,457,925</b>
EXPENDITURES:						
Current:						
Instruction:						
Other	0	985,813	0	985,813	0	985,813
Support services:						
Instructional staff	12,811	0	0	12,811	0	12,811
Administration	283,507	0	40,381	323,888	0	323,888
Operation and maintenance of plant	1,007,246	0	6,354	1,013,600	0	1,013,600
Transportation	0	0	351,000	351,000	0	351,000
Other expenditures:						
Facilities acquisitions	0	0	1,442,629	1,442,629	0	1,442,629
Long-term debt:						
Principal	0	0	0	0	1,000,000	1,000,000
Interest and fiscal charges	0	0	0	0	475,576	475,576
<b>TOTAL EXPENDITURES</b>	<b>1,303,564</b>	<b>985,813</b>	<b>1,840,364</b>	<b>4,129,741</b>	<b>1,475,576</b>	<b>5,605,317</b>
Excess (Deficiency) of revenues over (under) expenditures	193,921	(398,369)	263,345	58,897	(206,289)	(147,392)
Other financing sources (uses):						
Transfer in	0	0	0	0	3,750,200	3,750,200
Refunding bond issuance	0	0	0	0	5,500,000	5,500,000
Refunding bond premium	0	0	0	0	66,090	66,090
Accrued interest on bond issuances	0	0	0	0	127,622	127,622
Refunding bond discount	0	0	0	0	(31,088)	(31,088)
Refunding bond issuance costs	0	0	0	0	(35,300)	(35,300)
Payment to escrow	0	0	0	0	(5,500,000)	(5,500,000)
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,877,524</b>	<b>3,877,524</b>
Excess (Deficiency) of revenues and other financing sources (uses) over (under) expenditures	193,921	(398,369)	263,345	58,897	3,671,235	3,730,132
Fund balance beginning of year	422,058	924,847	1,903,465	3,250,370	723,545	3,973,915
Fund balance end of year	\$ 615,979	526,478	2,166,810	3,309,267	4,394,780	7,704,047

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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Bloomer	\$ 18,698	6,380	17,679	7,399
Carter Lake	18,641	10,878	8,511	21,008
Crescent	6,738	928	5,055	2,611
Edison	5,349	13,523	10,671	8,201
Franklin	18,884	6,872	17,122	8,634
Gunn	10,677	2,776	7,075	6,378
Hoover	28,594	4,685	28,759	4,520
Lewis & Clark	16,124	5,625	13,858	7,891
Longfellow	18,755	0	0	18,755
Pusey	5,514	226	1,873	3,867
Roosevelt	15,987	5,702	4,390	17,299
Rue	12,036	505	9,602	2,939
Walnut Grove	10,148	931	4,201	6,878
Washington	8,178	1,731	1,653	8,256
Kirn JHS	118,269	43,268	80,585	80,952
Woodrow Wilson JHS	52,530	73,051	79,123	46,458
Tucker Center	4,641	1,147	1,965	3,823
Thomas Jefferson SHS	115,404	218,917	241,131	93,190
Abraham Lincoln SHS	426,063	188,887	448,346	166,604
Kanesville AHS	13,617	1,412	4,214	10,815
Total	\$ 924,847	587,444	985,813	526,478

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 SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 39,049,297	37,586,234	34,307,204	33,800,638	32,358,320	29,558,248	28,021,949
Tuition	2,246,918	1,871,096	1,157,712	1,001,119	934,227	971,579	1,004,915
Other	4,254,559	4,054,384	6,119,926	5,364,504	4,525,895	4,052,423	4,079,776
State sources	47,060,916	53,221,318	52,207,460	48,469,877	47,028,209	45,044,989	44,039,083
Federal sources	10,344,768	5,545,158	4,145,583	5,027,629	5,499,459	5,380,725	5,787,580
Total	\$ 102,956,458	102,278,190	97,937,885	93,663,767	90,346,110	85,007,964	82,933,303
Expenditures:							
Instruction:							
Regular	\$ 34,086,154	35,654,436	35,657,047	30,386,159	28,609,550	29,155,128	30,176,923
Special	27,812,408	15,480,975	12,469,039	18,280,727	16,567,128	18,282,359	17,447,372
Other	4,737,108	11,706,642	8,651,760	4,984,498	4,460,152	4,859,342	4,434,406
Support services:							
Student	2,558,412	3,675,037	3,453,440	4,465,882	4,054,876	2,849,159	3,303,589
Instructional staff	1,991,979	1,187,846	1,118,647	1,138,998	1,803,741	813,753	1,326,278
Administration	11,711,387	11,970,092	10,059,458	9,430,215	9,291,532	8,873,662	7,135,571
Operation and maintenance							
of plant	8,349,843	8,389,631	7,202,071	7,335,816	6,532,393	5,532,584	5,278,446
Transportation	2,830,114	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	0	344,896
Non-instructional programs	0	3,844	5,993	3,272	13,634	0	13,282
Other expenditures:							
Facilities acquisitions	24,107,373	19,862,198	14,154,164	8,549,845	10,962,240	4,973,933	5,851,681
Long-term debt:							
Principal	1,000,000	840,000	785,000	767,766	845,305	841,074	811,336
Interest and other charges	475,576	325,437	336,448	362,989	389,130	432,941	466,849
AEA flow-through	3,769,834	3,394,994	3,186,427	3,022,000	2,870,483	2,783,962	2,780,666
Total	\$ 123,430,188	115,117,779	99,554,211	91,066,037	88,643,161	81,286,729	81,242,880

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
EARLY READING FIRST	84.359	FY 10	\$ <u>241,125</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	347,646
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	2,406,121 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	<u>94,609</u>
			<u>2,848,376</u>
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	FY 10	<u>53,465</u>
SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION - RECOVERY ACT	10.579	FY 10	<u>94,145</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 10	<u>143,118</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	67,000
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1476-G	2,024,458
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 09	181,669
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - RECOVERY ACT	84.389	FY 10	<u>705,764</u>
			<u>2,978,891</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>42,083</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 09	3,283
EDUCATION FOR HOMELESS CHILDREN AND YOUTH	84.196	FY 10	<u>25,621</u>
			<u>28,904</u>
INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA)	84.027	FY 10	<u>8,964 **</u>
TWENTY FIRST CENTURY LEARNING CENTERS	84.287	FY 10	<u>167,995</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	<u>4,144</u>
GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	84.334	FY 10	<u>30,500</u>

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT (CONTINUED):			
READING FIRST STATE GRANTS	84.357	FY 09	87,087
READING FIRST STATE GRANTS	84.357	FY 10	110,500
			<u>197,587</u>
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 10	29,359
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 10	525,834
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 10	56,557
EDUCATION OF HOMELESS CHILDREN AND YOUTH - RECOVERY ACT	84.387	FY 10	23,349
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	4,112,044
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 10	542,446 **
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	1,054,632 **
			<u>1,597,078</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	117,989
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	FY 10	35,178
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 10	1,271
TOTAL			<u>\$ 13,337,956</u>

\* Includes \$263,904 of non-cash awards

\*\* Total for CFDA Number 84.027 is \$551,410 and total for  
Special Education Cluster (IDEA) is \$1,606,042.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Council Bluffs Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

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, 2010 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.

December 8, 2010

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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, 2010. 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, 2010.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Council Bluffs Community School District's responses to the 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 response 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 8, 2010

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over the 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 84.010 - Title I - Schools in Need of Assistance (SINA)
    - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
    - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
  - 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 84.367 - Improving Teacher Quality State Grants
  - Individual
    - CFDA Number 84.394 - 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, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Accounting Software - During our audit, we noted areas of concern with financial information generated from the accounting software. Instances of inconsistent data are the following:

- 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 changes the accounting software system, District personnel must maintain due diligence in reading and monitoring the current software generated reports.

Response - The software package does not allow for out of balance transactions. There are standardized reports such as a balance sheet. Individuals have set up reports that meet their needs to carry out required functions. The board has approved the purchase of a new finance and human resource software package.

Conclusion - Response acknowledged. Although transactions recorded are balanced, the software allows for the fund to be out of balance. Although the District remedied these out of balances, the software did not safeguard against this. The District personnel should maintain due diligence in reading and monitoring generated reports.

II-B-10 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 district has implemented procedures that will assist the district to prepare bank reconciliations accurately and timely in the future.

Conclusion - Response accepted.

II-C-10 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.

#### OTHER MATTERS:

II-D-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should to adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The District is in the process of adopting an intangible asset policy to be in compliance with Governmental Accounting Standards Board Statement No. 51.

Conclusion - Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

III-A-10 Accounting Software - During our audit, we noted areas of concern with financial information generated from the accounting software. Instances of inconsistent data are the following:

- 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 changes the accounting software system, District personnel must maintain due diligence in reading and monitoring the current software generated reports.

Response - The software package does not allow for out of balance transactions. There are standardized reports such as a balance sheet. Individuals have set up reports that meet their needs to carry out required functions. The board has approved the purchase of a new finance and human resource software package.

Conclusion - Response acknowledged. Although transactions recorded are balanced, the software allows for the fund to be out of balance. Although the District remedied these out of balances, the software did not safeguard against this. The District personnel should maintain due diligence in reading and monitoring generated reports.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the budgeted amount in the non-instructional programs functional area.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-10 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-10 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-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 as resident students was overstated by 26.0 students.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was not certified timely to the Iowa Department of Education. We noted significant deficiencies in the amounts reported which were subsequently corrected by the District.

Recommendation - In the future, the District should file the Certified Annual Report in a timely manner.

Response - The District requested an extension to file the Certified Annual Report late from the Iowa Department of Education and was denied. The District contacted Denise Regis at the Iowa Department of Education and she allowed us to file late as long as the District kept her informed of our progress in getting the Certified Annual Report filed. In the future, the District will file the Certified Annual Report timely with the Iowa Department of Education.

Conclusion - Response accepted.

IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	0
Statewide sales, services and use tax revenue			7,831,107
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	7,820,607	
Debt service for school infrastructure:			
Qualified zone academy bonds		10,500	7,831,107
			<u>                    </u>
Ending balance		\$	<u>                    </u> 0

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant & equipment levy	\$ 0.67000	\$ 1,309,503

IV-M-10 Financial Condition - During our audit we noted that the District had deficit net assets of \$685,677 in the Enterprise, Nutrition Fund. The Student Activity Fund has several individual accounts with deficit balances. The District also had a deficit unrestricted net assets balance in the governmental activities of \$36,464.

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

Response - The District is looking at the operations of the Nutrition Fund and reviewing efficiencies. We will continue to monitor the financial condition of the Nutrition Fund. The District will also explore ways to reduce deficits in the activity fund accounts.

Conclusion - Response accepted.

IV-N-10 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 will review all outstanding checks and make necessary adjustments.

Conclusion - Response accepted.

IV-O-10 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 - The District is currently developing and adjusting procedures to ensure recording appropriate revenues and expenditures in the Student Activity Fund.

Conclusion - Response accepted.