COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term Expires
	Board of Education	
Dave Coziahr	President	2015
J.J Harvey	Vice President	2013
Glen Mitchell	Board Member	2013
Kim Townsend	Board Member	2013
Troy Arthur	Board Member	2015
Bill Grove	Board Member	2015
Joe Hotz	Board Member (resigned June 2013)	2015
	School Officials	
Dr. Martha Bruckner	Superintendent	2013
Dean Wilson	District Secretary/Treasurer and Chief Financial Officer	2013

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT

SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

December 17, 2013

INDEPENDENT AUDITORS' REPORT

The Board of Education
Council Bluffs Community School District:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued . . .

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We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Council Bluffs Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dehner & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Council Bluffs Community School District provides this 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 Financial Highlights

- General Fund revenues decreased $2,287,199 from $100,621,639 in fiscal 2012 to $98,334,440 in fiscal 2013. The decrease in General Fund revenues was attributed to reduced property taxes and state aid received by the state due to a decrease in certified enrollment, and a reduction of Federal grants attributable to elimination of economic stimulus funds received by the District. General Fund expenditures increased from $94,340,001 in fiscal 2012 to $97,455,966 in fiscal 2013, primarily due to increases in instructional costs. The difference between fiscal 2012 revenues of $98,334,440 and expenses of $97,455,966 results in a net increase in fund balance of $878,474. As a result, the District's General Fund balance increased from $12,413,620 in fiscal 2012 to a balance of $13,292,094 in fiscal 2013, which represents a 7.08% increase from the prior year.

- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased slightly from 10.8% at June 30, 2012 to 10.3% at June 30, 2013. 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 Position 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 custodian for the benefit of those outside of the School District.

- Notes to 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 non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Council Bluffs Community School District Annual Financial Report

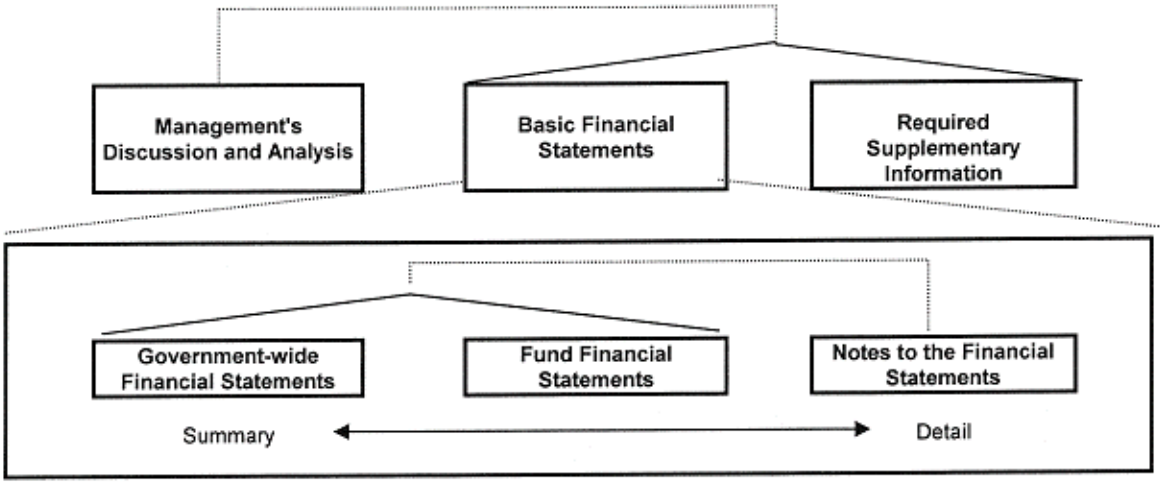

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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	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, short-term and long-term	All assets and liabilities, both short-term and long-term: funds do not currently contain capital assets, although they can
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 year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING OF DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Statements

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position 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 statements report the District's *net position* and how they have changed. Net Position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net Position are an indicator of whether financial position is improving or deteriorating, respectively. 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 and self-insurance 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 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 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 the Government-wide 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. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains one internal service fund to account for the premium and claim payments for the self-insured health insurance plans for District employees. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions.

The required financial statements for proprietary funds include a Statement of Revenues, Expenses, and Changes in Fund Net Position, 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

Net Position – Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	$ 86,870,212	86,803,549	$ 818,144	385,341	$ 87,688,356	87,188,890	.57%
Capital assets	135,141,178	136,163,172	185,934	258,880	135,327,112	136,422,052	(.80%)
Total assets	222,011,390	222,966,721	1,004,078	644,221	223,015,468	223,610,942	(.27%)
Long-term obligations	77,451,914	80,760,318	60,715	40,363	77,512,629	80,800,681	(4.07%)
Other liabilities	50,039,299	48,956,706	249,974	236,198	50,289,273	49,192,904	2.23%
Total liabilities	127,491,213	129,717,024	310,689	276,561	127,801,902	129,993,585	(1.69%)
Net position:							
Invested capital assets Net of related debt	58,581,178	56,108,172	185,934	258,880	58,767,112	56,367,052	4.26%
Restricted	24,382,039	26,304,929	-	-	24,382,039	26,304,929	(7.31%)
Unrestricted	11,556,960	10,836,596	507,455	108,780	12,064,415	10,945,376	10.22%
Total net position	$ 94,520,177	93,249,697	$ 693,389	367,660	$ 95,213,566	93,617,357	1.71%

The District's combined net position increased by 1.71%, or $1,596,209 over the prior year. The largest portion of the District's net position 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 position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately 7.3%, or $1,922,890 compared to the prior year. The decrease was primarily a result of long-term debt payments.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased $1,119,039 or 10.22%. The increase in unrestricted fund balance was a result of the increase in fund balances of the General and Self Insurance Funds.

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes in Net Position

	Governmental Activities June 30,		Business-type Activities June 30,		Total School District June 30,		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for services	$ 3,504,449	4,027,423	$ 1,091,042	1,239,121	$ 4,595,491	5,266,544	(12.7%)
Operating grants, contributions and restricted interest	19,552,159	20,216,234	3,567,981	3,590,936	23,120,140	23,807,170	(2.9%)
Capital grants, contributions, and restricted interest	435,935	2,615,136	-	-	435,935	2,615,136	(83.3%)
General revenue:							
Property tax	34,102,379	37,121,563	-	-	34,102,379	37,121,563	(8.13%)
Statewide sales, services and use tax	8,319,165	8,203,544	-	-	8,319,165	8,203,544	1.41%
Unrestricted state grants	47,145,648	45,314,611	-	-	47,145,648	45,314,611	4.04%
Other	(41,184)	56,261	(31,775)	9	(72,959)	56,270	229.7%
Total revenues	113,018,551	117,554,772	4,627,248	4,830,066	117,645,799	122,384,838	(3.87%)
Program expenses:							
Governmental activities:							
Instruction	68,445,554	65,781,406	-	-	68,445,554	65,781,406	4.05%
Support services	27,759,685	27,431,476	-	-	27,759,685	27,431,476	1.2%
Non-instructional programs	-	-	4,301,519	4,159,771	4,301,519	4,159,771	3.85%
Other expenses	15,542,832	16,430,673	-	-	15,542,832	16,430,673	(5.40%)
Total expenses	111,748,071	109,643,555	4,301,519	4,159,771	116,049,590	113,803,326	1.99%
Change in net position	1,270,480	7,911,217	325,729	670,295	1,596,209	8,581,512	(81.61%)
Beginning Net Position	93,249,697	85,338,480	367,660	(302,635)	93,617,357	85,035,845	10.09%
Ending Net Position	$ 94,520,177	93,249,697	$ 693,389	367,660	$ 95,213,566	93,617,357	1.71%

In fiscal 2013, property tax, statewide sales, service and use tax and unrestricted state grants account for 79.25% compared to 77.1% in fiscal 2012 of the revenue from governmental activities, while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.9% decrease in FY13 revenues compared to a 4.2% increase in FY12, and a 2.5% increase in FY13 expenses compared to a 3.41% increase in FY12 expenses. Unrestricted state grants and charges for services increased approximately $1.3 million to fund increase in expenses. The increase in expenses related to an increase in instructional costs.

Governmental Activities

Revenues for governmental activities were $113,018,551 and expenses were $111,748,071 for the year ended June 30, 2013. In a difficult budget year, the District levied a cash reserve levy and minimized increases in expenditures to increase the District's solvency ratio to recommendations

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, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services June 30,			Net Cost of Services June 30,		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	$ 68,445,554	65,781,406	4.05%	$ 49,577,630	46,751,669	6.04%
Support services	27,759,685	27,431,476	1.20%	27,178,612	25,784,008	5.41%
Other expenses	15,542,832	16,430,673	(5.40%)	11,499,286	10,249,085	12.20%
Totals	$ 111,748,071	109,643,555	1.92%	$ 88,255,528	82,784,762	6.61%

- The cost financed by users of the District's programs was $3,504,449.
- Federal and state governments subsidized certain programs with grants and contributions totaling $19,988,094.
- The net cost of governmental activities was financed with $34,102,379 in property tax, $8,319,165 in statewide sales, services and use tax, $47,145,648 in unrestricted state grants, $18,416 in interest income, $74,539 in other general revenues, and $134,139 on loss of disposing of equipment.

Business-Type Activities

Revenues of the District's business-type activities were $4,627,248 and expenses were $4,301,519. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of changes for services, federal and state reimbursements, and investment 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 $36,614,511 for

2013 and $38,630,885 for 2012. The decrease was attributable to spending bond proceeds received in FY12 on capital projects in the Capital Projects fund in FY13.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues decreased from FY12 attributable to the loss of federal stimulus funds. Expenditures related to instruction rose but at less of a pace than the decrease in revenue, resulting in a fund balance increase from $12,413,620 to $13,292,094.

- The Capital Project Fund balance decreased from $14,389,831 in fiscal 2012 to a balance of $10,443,827 in fiscal 2013. The decrease in Capital Projects Fund balance was attributable to expenditures for planned capital projects.

- The Debt Service Fund balance increased $651,318 to a balance of $11,848,314 at June 30, 2013 due to transfers made from statewide sales, services and use tax.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from $344,194 at June 30, 2012 to $639,666 at June 30, 2013, representing an increase of 85.8%.

Budgetary Highlights

The District's revenues were $798,670 more than budgeted revenues, a variance of .7%.

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had invested $135.1 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $7,651,603.

The original cost of the District's capital assets was $184.6 million. Governmental funds account for $183.9 million with the remainder of $734,000 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building and land improvements category. The District's buildings and land improvements totaled $182,405,639 at June 30, 2013, compared to $170,451,204 reported at June 30, 2012. The increase in building and land improvements assets was due to the District facility renovation and construction.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	
Land	$ 1,530,039	1,530,039	$ -	-	$ 1,530,039	1,530,039	0%
Construction in progress	779,648	7,460,655	-	-	779,648	7,460,655	(89.5%)
Buildings & land improvements	132,719,861	127,022,918	-	-	132,719,861	127,022,918	4.5%
Machinery & Equipment	111,630	149,560	185,934	258,880	297,564	408,440	27.1%
Totals	$ 135,141,178	136,163,172	$ 185,934	258,880	$ 135,327,112	136,422,052	(.8%)

Long-Term Debt

At June 30, 2013 the District had $77,451,914 general obligation and other long-term debt outstanding. This represents a decrease of 4.1% from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change	
	2013	2012	2012-13	
General obligation bonds	$ 2,500,000	3,500,000	(28.6)	%
Revenue Bonds	66,910,000	69,405,000	(3.6)	
Quality Zone Academy Bonds	1,500,000	1,500,000	0	
Qualified school construction bonds	5,650,000	5,650,000	0	
Compensated Absences	255,569	216,111	18.2	
Early retirement benefits	-	47,192	(100.0)	
Net OPEB Liability	636,345	442,015	44.0	
Totals	$ 77,451,914	80,760,318	(4.1)	%

Economic Factors Influencing the District's Future

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

- The state's economy is showing signs of economic recovery. The economy impacts the amount of new General Fund money available to the District.
- The levels of state and federal funding for education are not keeping pace with the increases in cost and mandated growth. Although the district's financial position has improved for four consecutive years, increases in costs will put a strain on district finances.
- The District continues to show a decline in enrollment, this results in the District receiving less state aid and property taxes. The District's 2012-2013 enrollment count was 8944.6 and the 2011- 2012 enrollment count was 9032.9.
- State grants are anticipated to remain approximately the same but Federal grants have decreased slightly due to sequestration. Fixed costs for utilities and busing service are anticipated to 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 Dean Wilson, Chief Financial Officer, Council Bluffs Community School District, 12 Scott Street, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	$ 46,284,985	688,987	46,973,972
Receivables:			
Property tax:			
Succeeding year	35,095,832	-	35,095,832
Accounts	1,575,018	-	1,575,018
Due from other governments	3,190,965	51,937	3,242,902
Inventories	45,665	77,220	122,885
Prepaid expense	677,747	-	677,747
Capital assets, net of accumulated depreciation	135,141,178	185,934	135,327,112
Total assets	222,011,390	1,004,078	223,015,468
Liabilities			
Accounts payable	3,482,996	13,964	3,496,960
Salaries & benefits payable	9,633,912	215,414	9,849,326
Accrued interest payable	1,379,755	20,596	1,400,351
Deferred revenue			
Succeeding year property tax	35,095,832	-	35,095,832
Other	446,804	-	446,804
Long-term liabilities:			
Portion due within one year:			
Bonds payable	3,635,000	-	3,635,000
Other post employment benefits	357,573	29,427	387,000
Compensated absences	255,569	8,346	263,915
Portion due after one year:			
Bonds payable	72,925,000	-	72,925,000
Other post employment benefits	278,772	22,942	301,714
Total liabilities	127,491,213	310,689	127,801,902
Net Position			
Net investment in capital assets	58,581,178	185,934	58,767,112
Restricted for:			
Categorical funding	2,439,377	-	2,439,377
Debt service	10,468,559	-	10,468,559
Management levy purposes	558,864	-	558,864
Student activities	471,412	-	471,412
School infrastructure	7,964,790	-	7,964,790
Physical plant and equipment levy	2,479,037	-	2,479,037
Unrestricted	11,556,960	507,455	12,064,415
Total net position	$ 94,520,177	693,389	95,213,566

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs:	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction:							
Regular instruction	$ 36,228,456	1,329,656	3,490,446	-	(31,408,354)	-	(31,408,354)
Special instruction	28,395,159	1,235,397	11,816,826	-	(15,342,936)	-	(15,342,936)
Other instruction	3,821,939	812,349	183,250	-	(2,826,340)	-	(2,826,340)
	68,445,554	3,377,402	15,490,522	-	(49,577,630)	-	(49,577,630)
Support services:							
Student services	2,855,325	-	108,910	-	(2,746,415)	-	(2,746,415)
Instructional staff services	2,328,203	-	55,439	-	(2,272,764)	-	(2,272,764)
Administration services	11,830,903	-	215,091	-	(11,615,812)	-	(11,615,812)
Operation & maint plant	7,386,658	118,153		-	(7,268,505)	-	(7,268,505)
Transportation services	3,358,596	8,894	74,586	-	(3,275,116)	-	(3,275,116)
	27,759,685	127,047	454,026	-	(27,178,612)	-	(27,178,612)
Other expenditures:							
Facilities acquisition	1,511,608	-	-	435,935	(1,075,673)	-	(1,075,673)
Long-term debt interest	2,910,034	-	52,695	-	(2,857,339)	-	(2,857,339)
AEA flowthrough	3,554,916	-	3,554,916	-	-	-	-
Depreciation (unallocated)*	7,566,274	-	-	-	(7,566,274)	-	(7,566,274)
	15,542,832	-	3,607,611	435,935	(11,499,286)	-	(11,499,286)
Total governmental activities	111,748,071	3,504,449	19,552,159	435,935	(88,255,528)	-	(88,255,528)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	4,301,519	1,091,042	3,567,981	-	-	357,504	357,504
Total	$ 116,049,590	4,595,491	23,120,140	435,935	(88,255,528)	357,504	(87,898,024)
General Revenues:							
Property and other tax levied for:							
General purposes:					$ 30,975,861	-	30,975,861
Debt service					1,051,290	-	1,051,290
Capital outlay					2,075,228	-	2,075,228
Statewide sales, services and use tax					8,319,165	-	8,319,165
Unrestricted state grants					47,145,648	-	47,145,648
Unrestricted investment earnings					18,416	-	18,416
Other					74,539	-	74,539
Loss on disposal of equipment					(134,139)	(31,775)	(165,914)
Total general revenues					89,526,008	(31,775)	89,494,233
Change in net position					1,270,480	325,729	1,596,209
Net position beginning of year					93,249,697	367,660	93,617,357
Net position end of year					$ 94,520,177	693,389	95,213,566

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

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Assets:					
Cash, cash equivalents and pooled investments	$ 20,949,857	10,850,057	11,848,314	1,040,600	44,688,828
Receivables					
Property tax:					
Succeeding year	29,785,997	2,122,625	1,043,907	2,143,303	35,095,832
Accounts	1,575,018	-	-	-	1,575,018
Due from other governments	2,570,023	620,942	-	-	3,190,965
Inventories	45,665	-	-	-	45,665
Prepaid expenses	677,747	-	-	-	677,747
Total assets	$ 55,604,307	13,593,624	12,892,221	3,183,903	85,274,055
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 2,445,659	1,027,172	-	10,165	3,482,996
Salaries & benefits payable	9,633,753	-	-	159	9,633,912
Deferred revenue					
Succeeding year property tax	29,785,997	2,122,625	1,043,907	2,143,303	35,095,832
Other	446,804	-	-	-	446,804
Total liabilities	42,312,213	3,149,797	1,043,907	2,153,627	48,659,544
Fund balances:					
Nonspendable:					
Inventories	45,665	-	-	-	45,665
Prepaids	677,747	-	-	-	677,747
Restricted for:					
Categorical funding	2,439,377	-	-	-	2,439,377
Debt service	-	-	11,848,314	-	11,848,314
School infrastructure	-	7,964,790	-	-	7,964,790
Physical plant and equipment	-	2,479,037	-	-	2,479,037
Management levy purposes	-	-	-	558,864	558,864
Student activities	-	-	-	471,412	471,412
Unassigned	10,129,305	-	-	-	10,129,305
Total fund balances	13,292,094	10,443,827	11,848,314	1,030,276	36,614,511
Total liabilities and fund balances	$ 55,604,307	13,593,624	12,892,221	3,183,903	85,274,055

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2013

Total fund balances of governmental funds	$ 36,614,511
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	135,141,178
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the net position of the Internal Service Fund is included in the governmental activities in the Statement of Net Position.	1,596,157
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.	(1,379,755)
Long-term liabilites, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities of the governmental funds.	(77,451,914)
Net position of governmental activities	$ 94,520,177

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, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local Tax	$ 28,894,780	10,394,393	1,051,290	2,081,081	42,421,544
Tuition	2,335,207	-	-	-	2,335,207
Other	3,945,217	435,935	52,695	802,856	5,236,703
State sources	57,386,553	-	-	-	57,386,553
Federal sources	5,772,683	-	-	-	5,772,683
Total revenues	98,334,440	10,830,328	1,103,985	2,883,937	113,152,690
Expenditures:					
Current					
Instruction:					
Regular instruction	36,484,451	53,055	-	-	36,537,506
Special instruction	28,628,797	-	-	-	28,628,797
Other instruction	3,063,388	-	-	779,488	3,842,876
	68,176,636	53,055	-	779,488	69,009,179
Support services:					
Student services	2,881,955	-	-	-	2,881,955
Instructional staff services	2,347,899	-	-	45,382	2,393,281
Administration services	10,376,172	78,422	-	1,413,262	11,867,856
Operation and maintenance of plant services	7,157,929	8,344	-	245,967	7,412,240
Transportation services	2,960,459	390,000	-	-	3,350,459
	25,724,414	476,766	-	1,704,611	27,905,791
Other expenditures:					
Facilities acquisition	-	8,227,957	-	-	8,227,957
Long-term debt:					
Principal	-	-	3,495,000	-	3,495,000
Interest and fiscal charges	-	-	2,976,221	-	2,976,221
AEA flowthrough	3,554,916	-	-	-	3,554,916
	3,554,916	8,227,957	6,471,221	-	18,254,094
Total expenditures	97,455,966	8,757,778	6,471,221	2,484,099	115,169,064
Excess(deficiency) of revenues over (under) expenditures	878,474	2,072,550	(5,367,236)	399,838	(2,016,374)
Other financing sources (uses):					
Operating transfers in	-	-	6,018,554	-	6,018,554
Operating transfers out	-	(6,018,554)	-	-	(6,018,554)
Total other financing sources(uses)	-	(6,018,554)	6,018,554	-	-
Net change in fund balances	878,474	(3,946,004)	651,318	399,838	(2,016,374)
Fund balances beginning of year	12,413,620	14,389,831	11,196,996	630,438	38,630,885
Fund balances end of year	$ 13,292,094	10,443,827	11,848,314	1,030,276	36,614,511

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
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds		$ (2,016,374)
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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays depreciation expense and adjustments for disposals in the year are as follows:		
Expenditures for capital assets	$ 6,729,245	
Net equipment disposal adjustments	(134,139)	
Depreciation expense	(7,617,100)	(1,021,994)
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the net income of the Internal Service Fund is included in the governmental activities in the Statement of Net Activities.		934,257
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		3,495,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmenal 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.		66,187
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therfore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement	47,192	
Other post employment benefits	(194,330)	
Compensated absences	(39,458)	(186,596)
Change in net position of governmental activities		$ 1,270,480

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise School Nutrition	Internal Service Employee Health
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	$ 635,264	1,506,012
Accounts receivable	-	580,373
Due from other governments	51,937	-
Inventories	77,220	-
Prepaid expenses	-	88,858
Total current assets	764,421	2,175,243
Noncurrent assets:		
Capital assets, net of accumulated depreciation	185,934	-
Total assets	950,355	2,175,243
Liabilities		
Current liabilities:		
Accounts payable	13,964	-
Salaries and benefits and payable	215,414	-
Deferred revenue	20,596	-
Incurred and unpaid claims	-	525,363
Compensated absences	8,346	-
Net OPEB liability	52,369	-
Total liabilities	310,689	525,363
Net Position		
Investment in capital assets	185,934	-
Unrestricted	453,732	1,649,880
Total net position	$ 639,666	1,649,880

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION – ENTERPRISE FUND TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2013

Total net position of the enterprise fund	$ 639,666
Amounts reported for business type activities in the Statement of Net Position are different because:	
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the net position of the Internal Service Fund is included in the governmental activities in the Statement of Net Position.	53,723
Net position of business type activities	$ 693,389

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise School Nutrition	Internal Service Employee Health
Operating revenue:		
Local sources:		
Charges for service	$ 1,091,042	8,666,583
Operating expenses:		
Support services:		
Administration services	-	7,702,069
Non-instructional programs:		
Food service operations:		
Salaries	1,420,243	-
Benefits	484,849	-
Purchased services	115,284	-
Supplies	2,266,576	-
Miscellaneous	321	-
Depreciation	44,503	-
Total operating expenses	4,331,776	7,702,069
Operating income (loss)	(3,240,734)	964,514
Non-operating revenue (expenses):		
State sources	39,797	-
Federal sources	3,528,184	-
Loss on disposal of equipment	(31,775)	-
Total non-operating revenue	3,536,206	-
Change in net position	295,472	964,514
Net position beginning of year	344,194	685,366
Net position end of year	$ 639,666	1,649,880

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – ENTERPRISE FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in net position - total enterprise fund	$	295,472
Amounts reported for business type activities in the Statement of Activities are different because:		
An internal service fund is used by management to fund and maintain the self funding portion of the District's health insurance provided to user departments. A portion of the net income of the Internal Service Fund is included in the business type activities in the Statement of Activities.		30,257
Change in net position of business type activities	$	325,729

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Enterprise School Nutrition	Internal Service Employee Health
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$ 1,093,616	-
Cash received from other funds	-	8,086,210
Cash payments to employees for services	(1,882,354)	(7,265,564)
Cash payments to suppliers for goods or services	(2,251,146)	-
Net cash provided (used) by operating activities	(3,039,884)	820,646
Cash flows from non-capital financing activities:		
State grants received	39,797	-
Federal grants received	3,476,236	-
Net cash provided by non-capital financing sources	3,516,033	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,335)	-
Net cash used by capital and related financing activities	(3,335)	-
Net increase in cash and cash equivalents	472,814	820,646
Cash and cash equivalents at beginning of year	162,450	685,366
Cash and cash equivalents at end of year	$ 635,264	1,506,012
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	$ (3,240,734)	384,141
Commodities used	85,984	-
Depreciation	44,503	-
(Increase) in prepaid expenses	-	(88,858)
Decrease in inventories	36,235	-
Increase in payables	8,816	-
Increase in incurred and unpaid claims	-	525,363
Increase in salaries and benefits payable	22,738	-
Increase in deferred revenue	2,574	-
Net cash provided (used) by operating activities	$ (3,039,884)	820,646

Non-cash investing, capital and financing activities

During the year ended June 30, 2013 the District received $85,984 of federal commodities

See notes to financial statements

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Agency
Assets	
Cash, cash equivalents and pooled investments	$ 56,488
Total assets	56,488
Liabilities	
Accounts payable	3,398
Due to other governments	53,090
Total liabilities	56,488
Net Position	
Unrestricted	$ -

See notes to financial statements

NOTE 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 pre-kindergarten through twelve. 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 predominately 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 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 jointly governed organizations that provides services to the District but does 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 Assessor's Conference Boards.

B. Basis of Presentation

Government-wide financial statements – The Statement of Net Position 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – (continued)

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, 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. Combining schedules are also included for the Capital Projects Accounts.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of principal and interest on the District's general long term debt.

The District reports the following major proprietary fund:

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

Additionally, the District reports the following additional proprietary fund:

The Internal Service Fund is used to account for the District's self-funded health insurance operations on a cost-reimbursement basis.

NOTE 1 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation - (continued)

The District also reports the following fiduciary fund which focuses on net position and changes in net position.

The Agency Fund is used to account for position held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, position equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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 are 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 position. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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 becomes 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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, equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. 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
Furniture and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
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 with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. 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 Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonexpendable – Amounts not in spendable form, such as inventories and prepaid expenses.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

NOTE 1 Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

NOTE 2 Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $16,243,614. Pursuant to Rule 2a-7 under the Investment Company Act of 1940, the investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

NOTE 3 Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 6,018,554

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

NOTE 4 Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities				
Capital assets not being depreciated:				
Land	$ 1,530,039	-	-	1,530,039
Construction in progress	7,460,655	6,716,350	13,397,357	779,648
Total capital assets not being depreciated	8,990,694	6,716,350	13,397,357	2,309,687
Capital assets being depreciated:				
Buildings and land improvements	170,451,204	13,397,357	1,442,922	182,405,639
Machinery and equipment	2,617,918	12,896	1,104,963	1,525,851
Intangible assets	949,326	-	949,326	-
Total capital assets being depreciated	174,018,448	13,410,253	3,497,211	183,931,490
Less accumulated depreciation for:				
Buildings and land improvements	43,428,286	7,566,274	1,308,782	49,685,778
Machinery and equipment	2,468,358	50,826	1,104,963	1,414,221
Intangible assets	949,326	-	949,326	-
Total accumulated depreciation	46,845,970	7,617,100	3,363,071	51,099,999
Total capital assets being depreciated, net	127,172,478	5,793,153	134,140	132,831,491
Governmental activities capital assets, net	$ 136,163,172	12,509,503	13,531,497	135,141,178
Business-type activities				
Furniture and equipment	$ 1,387,585	3,335	656,712	734,208
Less accumulated depreciation	1,128,705	44,503	624,934	548,274
Business-type activities capital assets, net	$ 258,880	(41,168)	31,778	185,934

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 6,836
Other	1,648
Support services:	
Instructional	2,579
Administration	2,142
Operation and maintenance of plant	29,484
Transportation	8,137
	50,826
Unallocated	7,566,274
Total depreciation expense - governmental activities	$ 7,617,100
Business-type activities:	
Food services	$ 44,503

NOTE 5 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	$ 3,500,000	-	1,000,000	2,500,000	1,000,000
Revenue bonds	69,405,000	-	2,495,000	66,910,000	2,635,000
Quality zone academy bonds	1,500,000	-	-	1,500,000	-
Qualified school construction bonds	5,650,000	-	-	5,650,000	-
Compensated absences	216,111	255,569	216,111	255,569	255,569
Early retirement	47,192	-	47,192	-	-
Net OPEB liability	442,015	581,675	387,345	636,345	357,573
Total	$ 80,760,318	837,244	4,145,648	77,451,914	4,248,142

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities					
Compensated liabilities	$ 6,523	8,345	6,523	8,345	8,345
Net OPEB liability	33,840	48,184	29,655	52,369	29,427
	$ 40,363	56,529	36,178	60,714	37,772

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2010 Interest Rates	Principal	Interest	Total
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
		$ 2,500,000	70,625	2,570,625

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2010 Series A Interest Rates	Principal	Interest	Total
2014	3.00%	$ 525,000	523,063	1,048,063
2015	3.00%	550,000	506,938	1,056,938
2016	3.00%	550,000	490,438	1,040,438
2017	4.00%	575,000	470,688	1,045,688
2018	4.00%	600,000	447,188	1,047,188
2019-2023	4.00%	3,350,000	1,849,487	5,199,487
2024-2028	4.125-4.5%	4,100,000	1,067,737	5,167,737
2029-2030	4.750%	2,450,000	141,314	2,591,314
		$ 12,700,000	5,496,853	18,196,853

NOTE 5 Long-Term Liabilities - Continued

Year Ending June 30,	Bond Issue of April 1, 2010 Series B			
	Interest Rates	Principal	Interest	Total
2014	4.00%	$ 1,120,000	1,182,776	2,302,776
2015	4.00%	1,140,000	1,137,576	2,277,576
2016	4.00%	1,170,000	1,091,376	2,261,376
2017	4.00%	1,200,000	1,043,976	2,243,976
2018	4.00%	1,235,000	995,276	2,230,276
2019-2023	4.00-4.25%	6,930,000	4,165,043	11,095,043
2024-2028	4.375-5.00%	8,575,000	2,455,580	11,030,580
2029-2030	5.00%	5,530,000	354,002	5,884,002
		$ 26,900,000	12,425,605	39,325,605

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2014	2.50%	$ 595,000	748,789	1,343,789
2015	2.50%	540,000	734,601	1,274,601
2016	3.00%	580,000	719,151	1,299,151
2017	3.50%	605,000	699,864	1,304,864
2018	3.50%	635,000	678,164	1,313,164
2019-2023	4.00%	3,545,000	2,991,758	6,536,758
2024-2028	4.25-4.75%	6,265,000	2,038,920	8,303,920
2029-2030	4.75-5.00%	5,045,000	324,753	5,369,753
		$ 17,810,000	8,936,000	26,746,000

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rates	Principal	Interest	Total
2014	2.00%	$ 395,000	227,480	622,480
2015	2.00%	475,000	222,730	697,730
2016	2.00%	485,000	213,130	698,130
2017	2.00%	495,000	203,330	698,330
2018	2.00%	505,000	193,330	698,330
2019-2023	2.00-2.50%	2,685,000	797,238	3,482,238
2024-2028	2.50-2.75%	3,030,000	441,763	3,471,763
2029-2030	3.000%	1,430,000	54,100	1,484,100
		$ 9,500,000	2,353,101	11,853,101

Year Ending June 30,	Total Revenue Bonds		
	Principal	Interest	Total
2014	$ 2,635,000	2,682,108	5,317,108
2015	2,705,000	2,601,845	5,306,845
2016	2,785,000	2,514,095	5,299,095
2017	2,875,000	2,417,858	5,292,858
2018	2,975,000	2,313,958	5,288,958
2019-2023	16,510,000	9,803,526	26,313,526
2024-2028	21,970,000	6,004,000	27,974,000
2029-2030	14,455,000	874,169	15,329,169
	$ 66,910,000	29,211,559	96,121,559

NOTE 5 Long-Term Liabilities - Continued

The District has pledged future statewide sales, services and use tax revenues to repay the $69,405,000 bonds issued March 1, 2010, April 1, 2010, April 1, 2011 and March 1, 2012. 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 60% of statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is $96,121,559. For the current year principal and interest paid on the bonds and total statewide sales, services and use tax revenues were $5,218,696 and $8,319,165, respectively.

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

a) $5,993,498 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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 accrued interest on the revenue bond proceeds shall be placed into a 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.

Quality Zone Academy Bond

During the year ended June 30, 2010, the District issued Quality Zone Academy Bonds (QZAB) 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, 2013 QZAB bond indebtedness is as follows:

Year Ending June 30,	QZAB Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2014	2.60%	$ -	33,750	33,750
2015	2.60%	-	33,750	33,750
2016	2.60%	-	33,750	33,750
2017	2.60%	-	33,750	33,750
2018	2.60%	-	33,750	33,750
2019-2023	2.60%	-	168,750	168,750
2024-2025	2.60%	1,500,000	50,625	1,550,625
		$ 1,500,000	388,125	1,888,125

NOTE 5 Long-Term Liabilities - Continued

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. Details of the District's June 30, 2013 QSCB bond indebtedness is as follows:

Year Ending June 30,	QSCB Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2014	2.60%	$ -	146,900	146,900
2015	2.60%	-	146,900	146,900
2016	2.60%	-	146,900	146,900
2017	2.60%	-	146,900	146,900
2018	2.60%	-	146,900	146,900
2019-2023	2.60%	-	734,500	734,500
2024-2026	2.60%	5,650,000	367,250	6,017,250
		$ 5,650,000	1,836,250	7,486,250

NOTE 6 Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011, were $4,637,914, $4,322,897, and $3,816,135, respectively, equal to the required contributions for each year.

NOTE 7 Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 1,060 active and 77 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a self insured medical plan, is administered by United Health Care. 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.

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.

NOTE 7 Other Postemployment Benefits (OPEB) - Continued

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, 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 the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	630,256
Interest on net OPEB obligation		15,465
Adjustment to annual required contribution		(15,862)
Annual OPEB cost		629,859
Contributions made		417,000
Increase in net OPEB obligation		212,859
Net OPEB obligation, beginning of year		475,855
Net OPEB obligation, end of year	$	688,714

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of 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, 2013.

For the year ended June 30, 2013, the District contributed $417,000 to the medical plan. Plan members receiving benefits contributed $580,000, or 58% 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, 2013 are summarized as follows:

Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2010	$	712,414	88.7 %	$	254,490
June 30, 2011		745,047	77.3 %		423,537
June 30, 2013		772,318	93.2 %		475,855
June 30, 2014		629,859	66.2 %		688,714

Funding Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $5.834 million, with no actuarial value of position, resulting in an unfunded actuarial accrued liability (UAAL) of $5.834 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $53.940 million, and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2013, there was no trust fund position.

NOTE 7 Other Postemployment Benefits (OPEB) - Continued

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 health care 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 Financial Statements, will present multiyear trend information about whether the actuarial value of plan position 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of position, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 3.25% discount rate based on the District's funding policy. The projected annual medical trend rate is 8.3%, and is reduced each year until reaching the ultimate medical trend rate of 4.7%.

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, 2011 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2011. These probabilities were then modified to levels more appropriate for Iowa School Districts.

The projected claim costs of the medical plan are illustrated per month in the following table per age group used for calculations in the actuarial.

Age	Male Single	Male Family	Female Single	Female Family
55	$ 787	$ 1,633	$ 827	$ 1,631
60	1,015	2,001	969	2,000
64	1,270	2,443	1,155	2,442

The salary increase rate was assumed to be 3.25% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 Self Insurance Program

The District has established a self insurance medical program which is accounted for in the Employee Health Fund (an internal service fund). This program provides employees health benefit coverage up to a maximum of $150,000 per employee per year. The District purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

The District makes payments to the Employee Health Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The incurred and unpaid claims liability is based on liabilities incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Change in the Fund's claims liability amount is shown below.

Incurred and unpaid claims, beginning of year	$	-
Incurred claims		6,884,427
Payments		6,359,064
Incurred and unpaid claims, end of year	$	525,363

NOTE 9 Risk Management

Council Bluffs Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of position; 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.

NOTE 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 $3,554,916 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 11 Construction Commitment

The District has entered into various contracts for projects within the District. As of June 30, 2013, costs of $779,648 had been incurred against the contracts. The balance of $1,627,145 remaining at June 30, 2013 will be paid as work on the projects progresses.

NOTE 12 Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2013 are as follows:

Project	Amount
At risk supplemental	$ 379,192
Dropout prevention	994,333
Voluntary preschool	634,457
Teacher salary supplement	151,421
Reading recovery	35,789
Shared vision	76,265
Early childhood program - empowerment	76,653
Core curriculum	91,267
	$ 2,439,377

NOTE 13 Operating Lease Obligation

The District leases buses for student transportation. Annual lease payments are $351,000. Future required minimum lease payments are as follows:

Year Ending June 30,	Amount
2014	$ 390,000

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
Revenues:						
Local sources	$ 49,993,454	1,059,267	51,052,721	50,634,466	50,634,466	418,255
State sources	57,386,553	39,797	57,426,350	58,120,246	58,120,246	(693,896)
Federal sources	5,772,683	3,528,184	9,300,867	8,226,556	8,226,556	1,074,311
Total receipts	113,152,690	4,627,248	117,779,938	116,981,268	116,981,268	798,670
Expenditures:						
Instruction	69,009,179	-	69,009,179	73,713,082	73,713,082	4,703,903
Support services	27,905,791	-	27,905,791	25,935,618	29,630,966	1,725,175
Non-instructional programs	-	4,331,776	4,331,776	4,737,374	4,737,374	405,598
Other expenditures	18,254,094	-	18,254,094	16,609,831	17,854,831	(399,263)
Total disbursements	115,169,064	4,331,776	119,500,840	120,995,905	125,936,253	6,435,413
Excess (deficiency) of revenue over (under) expenditures	(2,016,374)	295,472	(1,720,902)	(4,014,637)	(8,954,985)	7,234,083
Balances beginning of year	38,630,885	344,194	38,975,079	29,318,523	29,318,523	9,656,556
Balances end of year	$ 36,614,511	639,666	37,254,177	25,303,886	20,363,538	16,890,639

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 internal service funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. 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, increasing budgeted expenditures by $4,940,348.

During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN (In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Position (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	07/01/08	$ -	$ 7,670	$ 7,670	0.0 %	$ 57,052	13.4 %
2011	07/01/10	-	7,487	7,487	0.0 %	55,321	13.5 %
2012	07/01/10	-	7,683	7,683	0.0 %	54,241	14.1 %
2013	07/01/12	-	5,834	5,834	0.0 %	53,940	10.8 %

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

See Accompanying Independent Auditors' Report

SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage-ment Levy	Student Activity	Total
Assets			
Assets:			
Cash, cash equivalents and pooled investments	$ 558,864	481,736	1,040,600
Receivables			
Property tax:			
Succeeding year	2,143,303	-	2,143,303
Total assets	$ 2,702,167	481,736	3,183,903
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ -	10,165	10,165
Salaries and benefits payable	-	159	159
Deferred revenue			
Succeeding year prop tax	2,143,303	-	2,143,303
Total liabilities	2,143,303	10,324	2,153,627
Fund balances:			
Restricted for:			
Management levy purposes	558,864	-	558,864
Student activities	-	471,412	471,412
Total fund balances	558,864	471,412	1,030,276
Total liabilities and fund balances	$ 2,702,167	481,736	3,183,903

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage-ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local Tax	$ 2,081,081	-	2,081,081
Other	-	802,856	802,856
Total revenues	2,081,081	802,856	2,883,937
Expenditures:			
Current:			
Instruction:			
Other instruction	-	779,488	779,488
Support services:			
Instructional staff services	45,382	-	45,382
Administration services	1,413,262	-	1,413,262
Operation and maintenance of plant services	245,967	-	245,967
	1,704,611	-	1,704,611
Total expenditures	1,704,611	779,488	2,484,099
Net change in fund balances	376,470	23,368	399,838
Fund balances beginning of year	182,394	448,044	630,438
Fund balances end of year	$ 558,864	471,412	1,030,276

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Assets:			
Cash, cash equivalents and pooled investments	$ 7,945,250	2,904,807	10,850,057
Receivables:			
Property tax:			
Succeeding year	-	2,122,625	2,122,625
Due from other governments	620,942	-	620,942
Total assets	$ 8,566,192	5,027,432	13,593,624
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 601,402	425,770	1,027,172
Deferred revenue:			
Succeeding year prop tax	-	2,122,625	2,122,625
Total liabilities	601,402	2,548,395	3,149,797
Fund balances:			
Restricted for:			
School infrastructure	7,964,790	-	7,964,790
Physical plant and equipment	-	2,479,037	2,479,037
Total fund balances	7,964,790	2,479,037	10,443,827
Total liabilities and fund balances	$ 8,566,192	5,027,432	13,593,624

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local Tax	$ 8,319,165	2,075,228	10,394,393
Other	4,581	431,354	435,935
Total revenues	8,323,746	2,506,582	10,830,328
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	53,055	53,055
Support services:			
Administration services		78,422	78,422
Operation and maintenance of plant services	-	8,344	8,344
Transportation services	-	390,000	390,000
	-	476,766	476,766
Other expenditures:			
Facilities acquisition	5,253,638	2,974,319	8,227,957
Total expenditures	5,253,638	3,504,140	8,757,778
Excess (deficiency)of revenues over (under) expenditures	3,070,108	(997,558)	2,072,550
Other financing (uses):			
Operating transfers out	(6,018,554)	-	(6,018,554)
Total other financing (uses)	(6,018,554)	-	(6,018,554)
Net change in fund balances	(2,948,446)	(997,558)	(3,946,004)
Fund balances beginning of year	10,913,236	3,476,595	14,389,831
Fund balances end of year	$ 7,964,790	2,479,037	10,443,827

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND - STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Revenues	Expend-itures	Balance End of Year
Bloomer	$ 2,772	4,570	4,987	2,355
Carter Lake	36,922	5,836	3,921	38,837
College View	22,750	4,194	6,941	20,003
Crescent	8,234	1,051	994	8,291
Edison	20,023	1,333	1,660	19,696
Franklin	13,146	12,911	14,664	11,393
Hoover	7,779	-	(4)	7,783
Lewis & Clark	12,153	4,660	4,500	12,313
Longfellow	20,699	389	1,020	20,068
Roosevelt	18,091	4,150	5,107	17,134
Rue	4,978	1,557	200	6,335
Walnut Grove	2,995	1,391	-	4,386
Kirn JHS	55,726	74,533	73,103	57,156
Woodrow Wilson JHS	43,336	96,294	87,434	52,196
Tucker Center	6,147	11,034	10,691	6,490
Thomas Jefferson SHS	14,823	251,866	248,385	18,304
Abraham Lincoln SHS	147,326	327,087	315,885	158,528
Kanesville AHS	10,144	-	-	10,144
Total	$ 448,044	802,856	779,488	471,412

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	$ 780	204,263	148,555	56,488
Accounts receivable	206	-	206	-
Total assets	$ 986	204,263	148,761	56,488
Liabilities				
Accounts payable	$ 825	3,398	825	3,398
Due to other governments	161	200,865	147,936	53,090
Total liabilities	$ 986	204,263	148,761	56,488

See Accompanying Independent Auditors' Report

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

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local Tax	$ 42,421,544	45,325,106	44,479,263	39,049,297	37,586,234	34,307,204	33,800,638	32,358,320	29,558,248	28,021,949
Tuition	2,335,207	2,777,515	2,192,571	2,246,918	1,871,096	1,157,712	1,001,119	934,227	971,579	1,004,915
Other	5,236,703	6,556,766	4,786,297	4,254,559	4,054,384	6,119,926	5,364,504	4,525,895	4,052,423	4,079,776
State sources	57,386,553	55,525,497	54,955,848	47,060,916	53,221,318	52,207,460	48,469,877	47,028,209	45,044,989	44,039,083
Federal sources	5,772,683	7,369,888	6,702,964	10,344,768	5,545,158	4,145,583	5,027,629	5,499,459	5,380,725	5,787,580
Total	$ 113,152,690	117,554,772	113,116,943	102,956,458	102,278,190	97,937,885	93,663,767	90,346,110	85,007,964	82,933,303
Expenditures:										
Instruction:										
Regular instruction	$ 36,537,506	33,131,109	32,567,873	34,086,154	35,654,436	35,657,047	30,386,159	28,609,550	29,155,128	30,176,923
Special instruction	28,628,797	29,276,353	31,085,908	27,812,408	15,480,975	12,469,039	18,280,727	16,567,128	18,282,359	17,447,372
Other instruction	3,842,876	3,887,216	4,500,693	4,737,108	11,706,642	8,651,760	4,984,498	4,460,152	4,859,342	4,434,406
Support services:										
Student services	2,881,955	2,829,534	2,542,273	2,558,412	3,675,037	3,453,440	4,465,882	4,054,876	2,849,159	3,303,589
Instructional staff services	2,393,281	3,463,196	1,363,587	1,991,979	1,187,846	1,118,647	1,138,998	1,803,741	813,753	1,326,278
Administration services	11,867,856	11,275,283	11,345,682	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 services	7,412,240	7,647,550	7,795,108	8,349,843	8,389,631	7,202,071	7,335,816	6,532,393	5,532,584	5,278,446
Transportation services	3,350,459	3,038,034	3,042,152	2,830,114	2,626,647	2,474,717	2,337,870	2,242,997	1,888,832	1,871,585
Other support services	-	-	-	-	-	-	-	-	-	344,896
Non-instructional programs	-	-	-	-	3,844	5,993	3,272	13,634	-	13,282
Other expenditures:										
Facilities acquisition	8,227,957	12,168,670	39,262,078	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	3,495,000	1,000,000	1,000,000	1,000,000	840,000	785,000	767,766	845,305	841,074	811,336
Interest and fiscal charges	2,976,221	2,813,716	1,947,050	475,576	325,437	336,448	362,989	389,130	432,941	466,849
AEA flowthrough	3,554,916	3,542,694	3,936,375	3,769,834	3,394,994	3,186,427	3,022,000	2,870,483	2,783,962	2,780,666
Total	$ 115,169,064	114,073,355	140,388,779	123,430,188	115,117,779	99,554,211	91,066,037	88,643,161	81,286,729	81,242,880

See Accompanying Independent Auditors' Report

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Grantor/Program:	CFDA Number	Grant Number	Expen-ditures	
Indirect:				
US Department of Agriculture:				
Iowa Department of Education:				
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY 13	$ 542,780	
National School Lunch Program	10.555	FY 13	2,634,635	*
Summer Food Service Program for Children	10.559	FY 13	117,094	
			3,294,509	
Supplemental Nutrition Asssistance Cluster Programs:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 13	45,181	
Fresh Fruit and Vegetable Program	10.582	FY 13	188,496	
US Department of Education:				
Iowa Department of Education:				
Title I Cluster Programs				
Title I (Sina - Schools in Need of Assistance)	84.010	FY 13	144,734	
Title I Grants to Local Educational Agencies	84.010	FY 13	2,069,994	
			2,214,728	
Safe and Supportive Schools Grants	84.184	FY 13	31,687	
Safe and Drug Free Schools and Communities - State Grants	84.186	FY 13	1,083	
Vocational Education - Basic Grants to States	84.048	FY 13	124,707	
Twenty First Century Learning Centers	84.287	FY 13	124,772	
Gaining Early Awareness and Readiness for Undergraduate Program	84.334	FY 13	62,100	
Title IIA - Teacher Quality Program	84.367	FY 13	443,645	
Title IVA - Grants for State Assessments	84.369	FY 13	55,439	
Green Hills Area Education Agency				
Special Education - Grants to State	84.027	FY 13	536,828	
Title III - English Language Acquisition State Grants	84.365	FY 13	102,615	
Total			$ 7,225,790	

* Includes $85,984 of non cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Council Bluffs Community School District. The financial statements of the School District are presented on 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 Auditors' Report

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

SCHROER
and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

December 17, 2013

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards

The Board of Education of
Council Bluffs Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Council Bluffs Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Council Bluffs Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

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 misstatements 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

Continued...

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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 which 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, 2013 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

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. Council Bluffs Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Dohrer & Associates, P.C.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

December 17, 2013

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Council Bluffs Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Council Bluffs Community School District's major federal programs for the year ended June 30, 2013. Council Bluffs Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Council Bluffs Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Council Bluffs Community School District's compliance.

Continued...

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Opinion on Each Major Federal Program

In our opinion, Council Bluffs Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Council Bluffs Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Council Bluffs Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 a 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-13 to be a material weakness.

Council Bluffs Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Council Bluffs Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Continued...

December 17, 2013
Council Bluffs Community School District
Report on Compliance

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Council Bluffs Community School District as of and for the year ended June 30, 2013, and have issued our report dated December 17, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Schroer & Associates, P.C.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditors' Results:

(a) Unmodified opinions were issued on the financial statements.

(b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A material weakness in internal control over the major programs was 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 an audit finding which was 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 programs:
  - 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 programs:
  - CFDA Number 84.010 – Title I – Schools in Need of Assistance (SINA)
  - CFDA Number 84.010 – Title I – Grants to Local Educational Agencies

(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, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Financial Reporting

Comment – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – The district has recently implemented procedures to capture all material receivables and payables at year end. The two funds that had material receivables or payables posted by the auditors were the Capital Project, SILO account and the Internal Service, Employee Health Fund. The SILO fund was missing the July 2013 SILO payment from the state, which was a clerical error. The Internal Service Fund posting was caused by the district's insurance carrier failing to remit retiree premium payments to the fund. This was unknown to the district until discovered after field work.

Conclusion – Response accepted.

II-B-13 Payroll Classifications

Comment – We noted employee cost center classification codes were not always properly updated to reflect staff change allocations to categorical and federally funded cost centers.

Recommendation – Program coordinators should review teacher classification codes before the start of the school year to determine proper cost allocations are made to categorical and federal funding cost centers. This results in fewer adjusting entries to correct the costs incurred.

Response – We concur with the recommendation of the district auditors. It was the practice of the district over the last several years to wait until year end for reclassification of employee wages and associated benefits. The District coded staff to proper categorical or federal programs at the beginning of the 2013-2014 school year and will monitor the allocations throughout the year.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I
Federal Award Year: 2013
U.S. Department of Education Passed through the Iowa Department of Education

III-A-13 Payroll Classifications

Comment – We noted employee cost center classification codes were not always properly updated to reflect staff change allocations to categorical and federally funded cost centers.

Recommendation – Program coordinators should review teacher classification codes before the start of the school year to determine proper cost allocations are made to categorical and federal funding cost centers. This results in fewer adjusting entries to correct the costs incurred.

Response and Corrective Action Planned – We concur with the recommendation of the district auditors. It was the practice of the district over the last several years to wait until year end for reclassification of employee wages and associated benefits. The District coded staff to proper categorical or federal programs at the beginning of the 2013-2014 school year and will monitor the allocations throughout the year.

Conclusion – Response accepted.

COUNCIL BLUFFS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

IV-A-13 Certified Budget

Comment - Expenditures for the year ended June 30, 2013 exceeded the amended certified budget amounts in the other expenditures function.

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

Response – The certified budget is prepared annually in April prior to the start of the fiscal year, which commences in July. Regulations require that any modifications to the budget must be completed by May 15 of the fiscal year. Modifications are based on estimates of anticipated spending or adjustments between May 15 and June 30 of the year.

Conclusion – Response accepted.

IV-B-13 Questionable Expenditures

No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 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-13 Business Transactions

No business transactions between the District and District officials were noted.

IV-E-13 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-13 Board Minutes

No transactions were found that we believe should have been approved by the Board minutes, but were not.

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-G-13 Certified Enrollment

Comment – 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 3.5 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-13 Supplemental Weighting

No variances in the supplemental weighting certified to the Department of Education were noted.

IV-I-13 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-13 Certified Annual Report

Comment – The Certified Annual Report was certified to the Iowa Department of Education by September 16, 2013. We noted significant variances in the amounts reported on the Certified Annual Report which were subsequently corrected by the District.

Recommendation –The District should determine financial statement year end adjustments are accurate.

Response – The District experienced a data disaster in July 2012, where live and back up data was lost. This required the district to not only manually input all information from paper reports, but also to place the financial and payroll records on an antiquated software platform because the new software had to be reconfigured for use. It took until August 2013 to ensure stability in the financial records, at which time the certified annual report (CAR) was due. Upon submission of the CAR, the accounting department began reconciling accounts in preparation of the annual audit. Hence, the CAR records and the audit records did not match. It is the future intention of the District to ensure the CAR and audit variances are not materially different.

Conclusion – Response accepted.

IV-K-13 Categorical Funding

No instances were noted of categorical funding used to supplant rather than supplement other funds.

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-13 Statewide Sales, Services and Use Tax

No instances of non-compliance with the use of the statewide sales, services and use 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit.

Beginning balance		$ 10,913,236
Revenues/transfers in:		
Sales tax revenues	$ 8,319,165	
Other local revenues	4,581	8,323,746
		19,236,982
Expenditures/transfers out:		
School infrastructure construction	5,253,638	
Transfers to the Debt Service Fund	6,018,554	11,272,192
Ending balance		$ 7,964,790

For the year ended June 30, 2013, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per $1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 2.87	$ 6,018,554

IV-M-13 Revenue Bonds

The District is in compliance with the provisions of the revenue bond resolution.