

Council Bluffs Community School District
Council Bluffs, Iowa

**Financial Statements and
Supplementary Information
June 30, 2014**

Together with Independent Auditor's Report

Council Bluffs Community School District

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Council Bluffs Community School District

Officials

<u>Officials</u>	<u>Board of Education</u>	<u>Term Expires</u>
J.J Harvey	President	2015
Bill Grove	Vice President	2015
Troy Arthur	Board Member	2015
Dave Coziahr	Board Member	2015
Scott Hansen	Board Member	2017
Dr. Jill Ogg-Gress	Board Member	2017
Susan Riley	Board Member	2017

School Officials

Dr. Martha Bruckner	Superintendent	2014
Dean Wilson	District Secretary/Treasurer and Chief Financial Officer	2014

Independent Auditor's Report

To the Board of Education
Council Bluffs Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Council Bluffs Community School District, Council Bluffs, Iowa, as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America. 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's 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 entity'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 entity'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.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who 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 accounting principles generally accepted in the United States of America, 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. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. The supplementary information included in pages 39 through 59, 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 basic 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 accounting principles generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SEIM JOHNSON, LLP

Omaha, Nebraska,
November 25, 2014.

Council Bluffs Community School District

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Overview

- General Fund revenues increased from \$98,334,440 in fiscal year 2013 to \$101,965,858 in fiscal year 2014. The increase in General Fund revenues was attributed to additional state aid due to an increase in certified enrollment, and additional funds received for Title 1 and Medicaid. General Fund expenditures increased from \$97,455,966 in fiscal year 2013 to \$101,129,279 in fiscal year 2014, primarily due to increases in instructional costs. The difference between fiscal 2014 revenues and expenditures resulted in a net increase in fund balance of \$836,579. As a result, the District's General Fund balance increased from \$13,292,094 in fiscal 2013 to a balance of \$14,128,673 in fiscal 2014, which represents a 6.3% increase from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 10.3% at June 30, 2013 to 11.8% at June 30, 2014. The State School Budget Review Committee recommends a solvency ratio of 5%-10%.

USING THIS ANNUAL REPORT

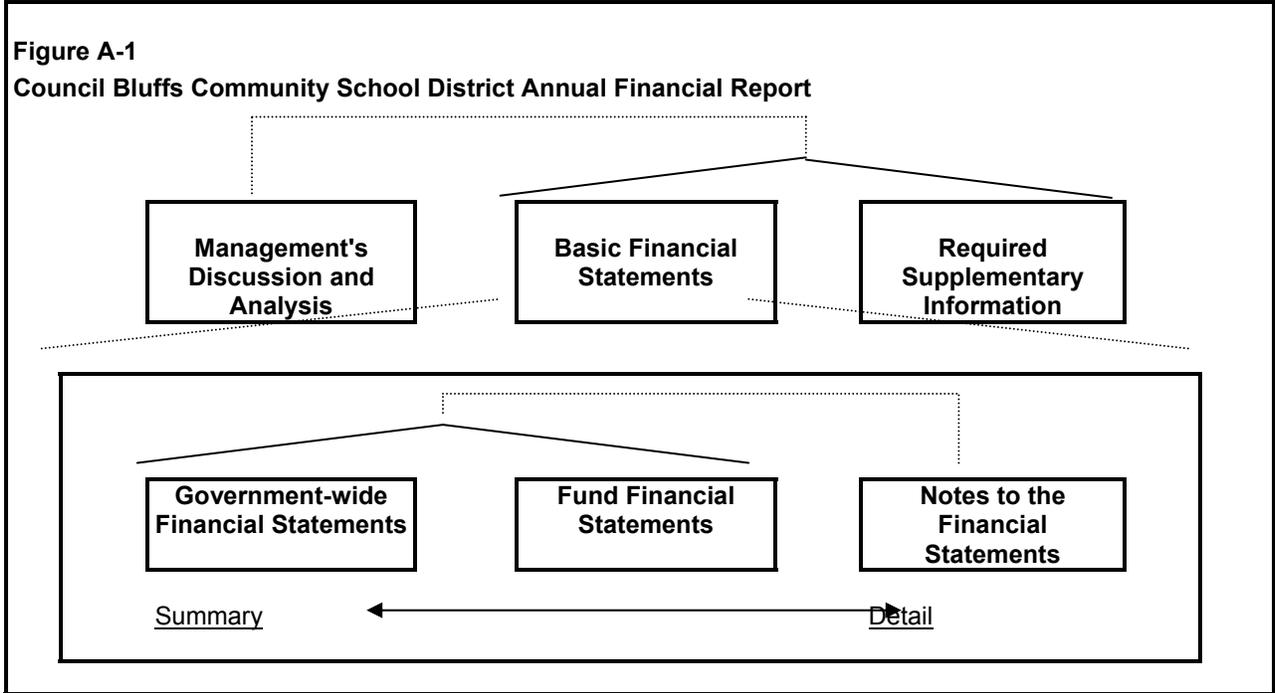
The annual report consists of a series of financial statements and other information, as follows:

- 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.

Council Bluffs Community School District

Management's Discussion and Analysis

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



Council Bluffs Community School District

Management's Discussion and Analysis

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	<ul style="list-style-type: none"> • Statement of Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • 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

Council Bluffs Community School District

Management's Discussion and Analysis

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.

Council Bluffs Community School District

Management's Discussion and Analysis

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. Because the service provided by the District predominately benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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.

Figure A-3
Statement of Net Position

	Governmental Activities		Business-type Activities		Total School District		% Change 2013-2014
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 89,340,097	86,870,212	1,278,148	818,144	90,618,245	87,688,356	3.34%
Capital assets	131,146,504	135,141,178	157,547	185,934	131,304,051	135,327,112	-2.97%
Total assets	220,486,601	222,011,390	1,435,695	1,004,078	221,922,296	223,015,468	-0.49%
Liabilities	88,190,828	91,948,577	323,238	310,869	88,514,066	92,259,446	-4.06%
Deferred inflows	35,063,438	35,542,636	11,769	--	35,075,207	35,542,636	-1.32%
Net position:							
Invested capital assets-net of related debt	58,221,504	58,581,178	157,547	185,934	58,379,051	58,767,112	-0.66%
Restricted	24,755,721	24,382,039	--	--	24,755,721	24,382,039	1.53%
Unrestricted	14,255,110	11,556,960	943,141	507,455	15,198,251	12,064,415	25.98%
Total net position	\$ 97,232,335	94,520,177	1,100,688	693,389	98,333,023	95,213,566	3.28%

Government-Wide Financial Analysis

Net Position – Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

The District's combined net position increased by 3.28%, 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 increased 1.53% compared to last year, primarily a result of a carryover of categorical funding.

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 25.98%. The increase in unrestricted fund balance was a result of the increase in fund balances of the General, Debt Service, and Self Insurance Funds.

Council Bluffs Community School District

Management's Discussion and Analysis

Changes in net position – Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		
	June 30,		June 30,		June 30,		% Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for services	\$ 3,712,784	\$ 3,504,449	1,055,076	1,091,042	4,767,860	4,595,491	3.75%
Operating grants, contributions and restricted interest	23,196,607	19,552,159	3,890,818	3,567,981	27,087,425	23,120,140	17.16%
Capital grants, contributions, and restricted interest	448,793	435,935	--	--	448,793	435,935	2.95%
General revenue:							
Property tax	34,777,919	34,102,379	--	--	34,777,919	34,102,379	1.98%
Statewide sales, services and use tax	7,786,233	8,319,165	--	--	7,786,233	8,319,165	-6.41%
Unrestricted state grants	46,279,730	47,145,648	--	--	46,279,730	47,145,648	-1.84%
Other	64,988	-41,184	--	-31,775	64,988	-72,959	-189.07%
Total revenues	116,267,054	113,018,551	4,945,894	4,627,248	121,212,948	117,645,799	3.03%
Program expenditures by Governmental Activities							
Instruction	69,154,287	68,445,554	--	--	69,154,287	68,445,554	1.04%
Support services	30,167,636	27,759,685	--	--	30,167,636	27,759,685	8.67%
Non-instructional programs	--	--	4,538,595	4,319,725	4,538,595	4,319,725	5.07%
Other expenses	14,232,973	15,542,832	--	--	14,232,973	15,542,832	-8.43%
Total expenses	113,554,896	111,748,071	4,538,595	4,319,725	118,093,491	116,067,796	1.75%
Change in net position	2,712,158	1,270,480	407,299	307,523	3,119,457	1,578,003	97.68%
Beginning Net Position	94,520,177	93,249,697	693,389	367,660	95,213,566	93,617,357	1.71%
Ending Net Position	\$ 97,232,335	94,520,177	1,100,688	675,183	98,333,023	95,195,360	3.30%

In fiscal 2014, property tax, statewide sales, service and use tax and unrestricted state grants account for 76.41% compared to 79.25% in fiscal 2013 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 2.9% increase in FY14 revenues compared to a 3.9% decrease in FY13, and a 1.6% increase in FY14 expenses compared to a 2.5% increase in FY13 expenses. Operating grants \$3.6 million to fund increase in expenses. The increase in expenses related to an increase in instructional costs.

Governmental Activities

Revenues for governmental activities were \$116,267,054 and expenses were \$113,554,896 for the year ended June 30, 2014. The District levied a cash reserve levy and minimized increases in expenditures to increase the District's solvency ratio.

Figure A-5 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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost			Net Cost		
	June 30,			June 30,		
	2014	2013	% Change	2014	2013	% Change
Instruction	69,154,287	68,445,554	1.04%	46,891,401	49,577,630	-5.42%
Support services	30,167,636	27,759,685	8.67%	29,263,793	27,178,612	7.67%
Other expenses	14,232,973	15,542,832	-8.43%	10,041,519	11,499,286	-12.68%
Totals	113,554,896	111,748,071	1.62%	86,196,713	88,255,528	-2.33%

Council Bluffs Community School District

Management's Discussion and Analysis

- The cost financed by users of the District's programs was \$3,712,784.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$18,641,475.
- The net cost of governmental activities was financed with \$34,777,919 in property tax, \$7,786,233 in statewide sales, services and use tax, \$46,279,730 in unrestricted state grants, \$14,767 in interest income, and \$50,221 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$4,945,894 and expenses were \$4,538,595. 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 \$38,284,926 for 2014 and \$38,630,885 for 2013. The slight decrease was attributable to repayment of bond debt.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues increased from FY13 attributable to a greater increase in state aid. Expenditures related to instruction rose slightly, resulting in a net position increase from \$13,292,094 to \$14,128,673.
- The Capital Project Fund net position decreased slightly from \$10,443,827 in fiscal 2013 to a balance of \$10,172,633 in fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$639,666 at June 30, 2013 to \$1,100,688 at June 30, 2014, representing an increase of 72.5% due to decreased food prices and increases in federal revenues.

Budgetary Highlights

The District's revenues were roughly \$1.78 million more than budgeted revenues, a variance of 1.4%.

Total expenditures were slightly less than budget, 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, 2014, the District had invested \$131.1 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities and transportation equipment. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$7,647,890.

Council Bluffs Community School District

Management's Discussion and Analysis

The original cost of the District's capital assets was \$184.9 million. Governmental funds account for \$183.9 million with the remainder in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in work-in-progress category related to remodeling projects at three elementary schools.

**Figure A-6
Capital Asset Summary**

	Governmental Activities		Business Activities		Total School District		% Change 2013-2014
	June 30,		June 30,		June 30,		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
Land	1,530,039	1,530,039	--	--	1,530,039	1,530,039	0%
Construction in progress	3,404,565	779,648	--	--	3,404,565	779,648	336.68%
Buildings & land improvements	126,090,843	132,719,861	--	--	126,090,843	132,719,861	-4.99%
Furniture & equipment	121,057	111,630	157,547	185,934	278,604	297,564	-6.37%
Totals	131,146,504	135,141,178	157,547	185,934	131,304,051	135,327,112	-2.97%

Long-Term Debt

At June 30, 2014 the District had \$74,008,256 general obligation and other long-term debt outstanding. This represents a decrease of 4.4% from the prior year. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

**Figure A-7
Long Term Debt Summary**

			% Change
	2014	2013	2013-2014
General obligation bonds	1,500,000	2,500,000	-40.0%
Revenue Bonds	64,275,000	66,910,000	-3.9%
Quality Zone Academy Bonds	1,500,000	1,500,000	0.0%
Qualified School Construction Bonds	5,650,000	5,650,000	0.0%
Compensated Absences	203,568	255,569	-20.3%
Net OPEB Liability	879,688	636,345	38.2%
Totals	74,008,256	77,451,914	-4.4%

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 five consecutive years, increases in costs will put a strain on district finances.
- A possible decline in enrollment will result in less state aid and property tax revenues.
- Increased identification and costs for special education students.
- Fixed costs for utilities and busing service are anticipated to increase.

Council Bluffs Community School District

Management's Discussion and Analysis

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, 300 W Broadway, Suite 1600, Council Bluffs, Iowa, 51503.

Council Bluffs Community School District

**Statement of Net Position
June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents and pooled investments	\$ 48,732,339	1,205,907	49,938,246
Receivables:			
Property tax:			
Succeeding year	34,994,207	--	34,994,207
Accounts	5,569,629	6,135	5,575,764
Inventories	43,922	66,106	110,028
Capital assets, net of accumulated depreciation	131,146,504	157,547	131,304,051
Total assets	220,486,601	1,435,695	221,922,296
LIABILITIES			
Accounts payable	2,252,621	15,773	2,268,394
Salaries and benefits payable	9,939,855	228,492	10,168,347
Accrued expenses	54,186	--	54,186
Accrued interest liabilities	1,410,547	--	1,410,547
Current portion of long term debt	3,705,000	--	3,705,000
Incurred and unpaid claims	525,363	--	525,363
Compensated absences	203,568	6,578	210,146
Long term debt, net of current portion	69,220,000	--	69,220,000
Other post employment benefits	879,688	72,395	952,083
Total liabilities	88,190,828	323,238	88,514,066
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	34,994,207	--	34,994,207
Advances from grantors	69,231	11,769	81,000
Total deferred inflows of resources	35,063,438	11,769	35,075,207
NET POSITION			
Net investment in capital assets	58,221,504	157,547	58,379,051
Restricted for:			
Categorical funding	2,010,015	--	2,010,015
Debt service	11,003,967	--	11,003,967
Management levy purposes	1,197,942	--	1,197,942
Student activities	371,164	--	371,164
School infrastructure	7,014,982	--	7,014,982
Physical plant and equipment levy	3,157,651	--	3,157,651
Unrestricted	14,255,110	943,141	15,198,251
Total net position	\$ 97,232,335	1,100,688	98,333,023

See accompanying notes to the financial statements

Council Bluffs Community School District

Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 34,874,025	1,269,128	8,575,685	--	(25,029,212)	--	(25,029,212)
Special instruction	30,821,270	1,596,800	9,878,029	--	(19,346,441)	--	(19,346,441)
Other instruction	3,458,992	755,483	187,761	--	(2,515,748)	--	(2,515,748)
	<u>69,154,287</u>	<u>3,621,411</u>	<u>18,641,475</u>	<u>--</u>	<u>(46,891,401)</u>	<u>--</u>	<u>(46,891,401)</u>
Support services:							
Student services	3,055,834	--	23,353	--	(3,032,481)	--	(3,032,481)
Instructional staff services	2,318,204	--	55,962	--	(2,262,242)	--	(2,262,242)
Administration services	12,197,373	--	640,858	--	(11,556,515)	--	(11,556,515)
Operation and maintenance of plant	9,099,602	85,470	--	--	(9,014,132)	--	(9,014,132)
Transportation services	3,496,623	5,903	92,298	--	(3,398,422)	--	(3,398,422)
	<u>30,167,636</u>	<u>91,373</u>	<u>812,471</u>	<u>--</u>	<u>(29,263,792)</u>	<u>--</u>	<u>(29,263,792)</u>
Other expenditures:							
Facilities acquisition	--	--	--	448,793	448,793	--	448,793
Long-term debt interest	2,950,610	--	47,544	--	(2,903,066)	--	(2,903,066)
AEA flowthrough	3,695,117	--	3,695,117	--	--	--	--
Depreciation (unallocated)*	7,587,246	--	--	--	(7,587,246)	--	(7,587,246)
	<u>14,232,973</u>	<u>--</u>	<u>3,742,661</u>	<u>448,793</u>	<u>(10,041,519)</u>	<u>--</u>	<u>(10,041,519)</u>
Total governmental activities	113,554,896	3,712,784	23,196,607	448,793	(86,196,712)	--	(86,196,712)
Business type activities:							
Non-instructional programs:							
Food service operations	4,538,595	1,055,076	3,890,818	--	--	407,299	407,299
Total	\$ 118,093,491	4,767,860	27,087,425	448,793	(86,196,712)	407,299	(85,789,413)
General revenues							
Property and other tax levied for:							
General purposes:							
Debt service					\$ 31,638,384	--	31,638,384
Capital outlay					1,035,008	--	1,035,008
Statewide sales, services and use tax					2,104,527	--	2,104,527
Unrestricted state grants					7,786,233	--	7,786,233
Unrestricted investment earnings					46,279,730	--	46,279,730
Other					14,767	--	14,767
					50,221	--	50,221
Total general revenues					<u>88,908,870</u>	<u>--</u>	<u>88,908,870</u>
Change in net position					2,712,158	407,299	3,119,457
Net position beginning of year					94,520,177	693,389	95,213,566
Net position end of year					\$ <u>97,232,335</u>	<u>1,100,688</u>	<u>98,333,023</u>

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

See accompanying notes to the financial statements

Council Bluffs Community School District

Balance Sheet – Governmental Funds June 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 21,558,162	9,426,846	12,398,317	1,565,950	44,949,275
Receivables:					
Property tax:					
Succeeding year	29,837,239	2,131,805	1,025,164	1,999,999	34,994,207
Accounts	4,184,296	1,263,261	16,197	33,768	5,497,522
Inventories	43,922	--	--	--	43,922
Total assets	<u>55,623,619</u>	<u>12,821,912</u>	<u>13,439,678</u>	<u>3,599,717</u>	<u>85,484,926</u>
LIABILITIES					
Accounts payable	1,705,183	517,474	--	29,964	2,252,621
Salaries & benefits payable	9,829,755	--	--	--	9,829,755
Accrued expenses	53,538	--	--	648	54,186
Total liabilities	<u>11,588,476</u>	<u>517,474</u>	<u>--</u>	<u>30,612</u>	<u>12,136,562</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Succeeding year property tax	29,837,239	2,131,805	1,025,164	1,999,999	34,994,207
Advances from grantors	69,231	--	--	--	69,231
Total deferred inflows of resources	<u>29,906,470</u>	<u>2,131,805</u>	<u>1,025,164</u>	<u>1,999,999</u>	<u>35,063,438</u>
FUND BALANCES					
Nonspendable:					
Inventories	43,922	--	--	--	43,922
Restricted for:					
Categorical funding	2,010,015	--	--	--	2,010,015
Debt service	--	--	12,414,514	--	12,414,514
School infrastructure	--	7,014,982	--	--	7,014,982
Physical plant and equipment	--	3,157,651	--	--	3,157,651
Management levy purposes	--	--	--	1,197,942	1,197,942
Student activities	--	--	--	371,164	371,164
Unassigned	12,074,736	--	--	--	12,074,736
Total fund balances	<u>\$ 14,128,673</u>	<u>10,172,633</u>	<u>12,414,514</u>	<u>1,569,106</u>	<u>38,284,926</u>
RECONCILIATION					
Amounts reported for governmental activities in statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.					131,146,504
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.					(74,008,256)
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 funds					(1,410,547)
Internal service funds are used by management to charge the costs of certain activities, such as, insurance and vehicles to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.					<u>3,219,708</u>
Net position - governmental activities					<u>\$ 97,232,335</u>

See accompanying notes to the financial statements

Council Bluffs Community School District

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds June 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Local tax	\$ 29,514,776	9,890,760	1,035,008	2,123,608	42,564,152
Tuition	2,712,434	--	--	--	2,712,434
Other	4,400,138	448,793	47,544	755,483	5,651,958
State sources	59,383,774	--	--	--	59,383,774
Federal sources	5,954,736	--	--	--	5,954,736
Total revenues	<u>101,965,858</u>	<u>10,339,553</u>	<u>1,082,552</u>	<u>2,879,091</u>	<u>116,267,054</u>
EXPENDITURES					
Current					
Instruction:					
Regular instruction	35,067,421	420,203	--	--	35,487,624
Special instruction	31,250,302	--	--	--	31,250,302
Other instruction	2,650,907	--	--	852,459	3,503,366
	<u>68,968,630</u>	<u>420,203</u>	<u>--</u>	<u>852,459</u>	<u>70,241,292</u>
Support services:					
Student services	3,104,599	--	--	--	3,104,599
Instructional staff services	2,338,151	41,548	--	--	2,379,699
Administration Services	12,199,029	137,385	--	36,281	12,372,695
Operation and maintenance of plant services	7,728,539	--	--	1,448,249	9,176,788
Transportation services	3,095,214	390,000	--	3,272	3,488,486
	<u>28,465,532</u>	<u>568,933</u>	<u>--</u>	<u>1,487,802</u>	<u>30,522,267</u>
Other expenditures:					
Facilities acquisition	--	3,583,145	--	--	3,583,145
Long-term debt:					
Principal	--	--	3,635,000	--	3,635,000
Interest and fiscal charges	--	--	2,919,818	--	2,919,818
AEA flowthrough	3,695,117	--	--	--	3,695,117
	<u>3,695,117</u>	<u>3,583,145</u>	<u>6,554,818</u>	<u>--</u>	<u>13,833,080</u>
Total expenditures	<u>101,129,279</u>	<u>4,572,281</u>	<u>6,554,818</u>	<u>2,340,261</u>	<u>114,596,639</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	836,579	5,767,272	(5,472,266)	538,830	1,670,415
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	--	(6,038,466)	6,038,466	--	--
NET CHANGE IN FUND BALANCE	836,579	(271,194)	566,200	538,830	1,670,415
FUND BALANCES, BEGINNING OF YEAR	<u>13,292,094</u>	<u>10,443,827</u>	<u>11,848,314</u>	<u>1,030,276</u>	<u>36,614,511</u>
FUND BALANCES, END OF YEAR	<u>\$ 14,128,673</u>	<u>10,172,633</u>	<u>12,414,514</u>	<u>1,569,106</u>	<u>38,284,926</u>
RECONCILIATION					
Net change in fund balances - total governmental funds					\$ 1,670,415
Internal service funds are used by management to change the cost of certain activities to individual funds. The change in net position is reported with governmental activities.					1,623,551
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense.					(3,994,675)
Repayment of bond principal is an expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.					3,635,000
Some expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds.					(222,133)
Change in net position - governmental activities					<u>\$ 2,712,158</u>

See accompanying notes to the financial statements

Council Bluffs Community School District

**Statement of Net Position – Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds	Governmental Activities
	Enterprise School Nutrition	Internal Service Employee Health
ASSETS		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 1,205,907	3,783,064
Accounts receivable	6,135	72,107
Inventories	66,106	--
Total current assets	<u>1,278,148</u>	<u>3,855,171</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>157,547</u>	<u>--</u>
Total assets	<u>1,435,695</u>	<u>3,855,171</u>
LIABILITIES		
Current liabilities:		
Accounts payable	15,773	--
Salaries and benefits payable	228,492	110,100
Incurred and unpaid claims	--	525,363
Compensated absences	6,578	--
Net OPEB liability	<u>72,395</u>	<u>--</u>
Total liabilities	<u>323,238</u>	<u>635,463</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues:		
Advances from grantors	<u>11,769</u>	<u>--</u>
NET POSITION		
Net investment in capital assets	157,547	--
Unrestricted	<u>943,141</u>	<u>3,219,708</u>
Total net position	<u>\$ 1,100,688</u>	<u>3,219,708</u>

See accompanying notes to the financial statements

Council Bluffs Community School District

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds	Governmental Activities
	Enterprise School Nutrition	Internal Service Employee Health
OPERATING REVENUES		
Local sources:		
Charges for services	\$ 1,055,076	9,460,498
OPERATING EXPENSES		
Support services:		
Administration services	--	7,891,655
Non-instructional programs:		
Food service operations:		
Salaries	1,420,595	--
Benefits	529,516	--
Purchased services	69,873	--
Supplies	2,436,483	--
Miscellaneous	614	--
Depreciation	27,791	--
Total operating expenses	<u>4,484,872</u>	<u>7,891,655</u>
OPERATING INCOME (LOSS)	<u>(3,429,796)</u>	<u>1,568,843</u>
NON-OPERATING REVENUE (EXPENSES):		
State sources	39,042	--
Federal sources	3,793,871	--
Loss on disposal of equipment	(619)	--
Other	58,524	985
Total non-operating revenues	<u>3,890,818</u>	<u>985</u>
CHANGE IN NET POSITION	461,022	1,569,828
NET POSITION, BEGINNING OF YEAR	<u>639,666</u>	<u>1,649,880</u>
NET POSITION, END OF YEAR	<u>\$ 1,100,688</u>	<u>3,219,708</u>
RECONCILIATION		
Change in net position, enterprise fund	\$ 461,022	
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	<u>(53,723)</u>	
Change in net position of business type activities	<u>\$ 407,299</u>	

See accompanying notes to the financial statements

Council Bluffs Community School District

**Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds	Governmental Activities
	Enterprise	Internal Service
	School	Employee
	Nutrition	Health
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from user charges	\$ 1,100,878	9,968,764
Payments to employees	(1,407,517)	--
Payments of employee benefits	(511,258)	110,100
Payments to suppliers for goods and services	(2,494,048)	(7,802,797)
Net cash provided (used) by operating activities	<u>(3,311,945)</u>	<u>2,276,067</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State subsidies received	39,042	--
Federal subsidies received	3,793,871	--
Other nonoperating receipts	49,078	985
Net cash provided by noncapital financing activities	<u>3,881,991</u>	<u>985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	599	--
Net cash used by capital and related financing activities	<u>599</u>	<u>--</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	570,645	2,277,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>635,262</u>	<u>1,506,012</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,205,907</u>	<u>3,783,064</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (3,429,796)	1,568,843
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	27,791	--
Decrease in accounts receivable	45,802	508,266
Decrease in prepaid expenses	--	88,858
Decrease in inventories	11,114	--
Increase in accounts payable	1,809	--
Increase in salaries and benefits payable	11,310	110,100
Increase in net OPEB liability	20,025	--
Net cash provided by (used in) operating activities	<u>\$ (3,311,945)</u>	<u>2,276,067</u>

Noncash investing, capital and financing activities
During the year ended June 30, 2013 the District received \$85,984 of federal commodities

See accompanying notes to the financial statements

Council Bluffs Community School District

**Statement of Fiduciary Net Position – Fiduciary Funds
For the Year Ended June 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>151,601</u>
Total assets	<u>151,601</u>
LIABILITIES	
Accounts payable	4,990
Due to other governments	<u>146,611</u>
Total liabilities	<u>\$ <u>151,601</u></u>

See accompanying notes to the financial statements

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

(1) Organization and Summary of Significant Accounting Policies

The Council Bluffs Community School District (the 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

A. *Reporting Entity*

For financial reporting purposes, the 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. GASB 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 District has no component units which meet the GASB 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 Board.

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 services.

The Statement of Net Position presents the District's nonfiduciary assets, liabilities and deferred inflows of resources, 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.

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.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

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.

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.

The Internal Service Fund is used to account for self-funded health insurance provided to other departments or funds of the District. The District's internal service fund is presented in the Proprietary Fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial activity of the internal service fund is included in the governmental activities column when presented in the Government-wide financial statements.

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 assets held by the District as an agent for individuals, private organizations and other governments. The Agency Funds are custodial in nature, assets 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.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

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 District 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 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.

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 the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows of Resources 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. 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

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

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 1% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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.

<u>Asset Class</u>	<u>Amount</u>
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:

<u>Asset Class</u>	<u>Amount</u>
Buildings	\$ 50 years
Land improvements	20 years
Intangibles	5 years
Furniture 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.

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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

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.

Deferred inflows of resources - 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 inflows of resources 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 receivable and other receivables not collected within sixty days after year end.

Unavailable 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 and of other advances.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts not in spendable form, such as inventories.

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 fund balances – Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal actions of the government's highest level of decision making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it used to commit those amounts. The Board of Education is the District's highest level of authority. All actions concerning approving, eliminating, or modifying of minimal fund balances will be accomplished through resolution. At June 30, 2014, the District had no committed fund balance.

Assigned fund balance – Consists of amounts that are constrained by the government intended to be used for specific purposes, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest decision making authority. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with regards to committed fund balances. The District management staff will have the overall responsibilities for monitoring these balances. At June 30, 2014, the District had no assigned fund balance.

Unassigned – All amounts not included in the preceding classifications.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The District did not exceed its General Fund unspent authorized budget.

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

G. Change in Accounting Principle

During 2014, the District adopted the provisions of GASB Statement No. 65, *Items Previously Recorded as Assets and Liabilities*. GASB Statement No. 65 required reclassification of certain items previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources on the statement of net position.

H. Subsequent Events

The District considered events occurring through November 25, 2014 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,312,017. 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.

(3) Interfund Transfers

The detail of interfund transfers at June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>6,038,466</u>

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

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

(4) Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,530,039	--	--	1,530,039
Construction in progress	779,648	3,583,146	958,229	3,404,565
Total capital assets not being depreciated	<u>2,309,687</u>	<u>3,583,146</u>	<u>958,229</u>	<u>4,934,604</u>
Capital assets being depreciated:				
Buildings and land improvements	182,405,639	958,229	--	183,363,868
Furniture and equipment	1,525,851	70,070	--	1,595,921
Total capital assets being depreciated	<u>183,931,490</u>	<u>1,028,299</u>	<u>--</u>	<u>184,959,789</u>
Less accumulated depreciation for:				
Buildings and land improvements	49,685,778	7,587,247	--	57,273,025
Furniture and equipment	1,414,221	60,643	--	1,474,864
Total accumulated depreciation	<u>51,099,999</u>	<u>7,647,890</u>	<u>--</u>	<u>58,747,889</u>
Total capital assets being depreciated, net	<u>132,831,491</u>	<u>(6,619,591)</u>	<u>--</u>	<u>126,211,900</u>
Governmental activities capital assets, net	<u>\$ 135,141,178</u>	<u>(3,036,445)</u>	<u>958,229</u>	<u>131,146,504</u>
Business-type activities				
Furniture and equipment	\$ 734,208	--	17,335	716,873
Less accumulated depreciation	<u>548,274</u>	<u>27,791</u>	<u>16,739</u>	<u>559,326</u>
Business-type activities capital assets, net	<u>\$ 185,934</u>	<u>(27,791)</u>	<u>596</u>	<u>157,547</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,617
Other	1,648

Support Services:

Instructional	10,658
Administration	4,740
Operation and maintenance of plant	25,844
Transportation	8,137
	<u>60,644</u>
Unallocated	<u>7,587,246</u>

Total depreciation expense - governmental activities \$ 7,647,890

Business-type activities:

Nutrition services	\$ <u><u>27,791</u></u>
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Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 2,500,000	--	1,000,000	1,500,000	1,000,000
Revenue bonds	66,910,000	--	2,635,000	64,275,000	2,705,000
Quality zone academy bonds	1,500,000	--	--	1,500,000	--
Qualified school construction bonds	5,650,000	--	--	5,650,000	--
Compensated absences	255,569	203,568	255,569	203,568	203,568
Net OPEB liability	636,345	600,916	357,573	879,688	--
Total	<u>77,451,914</u>	<u>804,484</u>	<u>4,248,142</u>	<u>74,008,256</u>	<u>3,908,568</u>
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities					
Compensated liabilities	\$ 8,345	6,578	8,345	6,578	6,578
Net OPEB liability	52,369	49,453	29,427	72,395	--
	<u>\$ 60,714</u>	<u>56,031</u>	<u>37,772</u>	<u>78,973</u>	<u>6,578</u>

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2010			
	Interest Rates	Principal	Interest	Total
2015	1.875%	\$ 1,000,000	23,563	1,023,563
2016	1.900%	500,000	4,750	504,750
		<u>\$ 1,500,000</u>	<u>28,313</u>	<u>1,528,313</u>

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

Details of the District's June 30, 2014 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
2015	3.000%	\$ 550,000	506,938	1,056,938
2016	3.000%	550,000	490,468	1,040,468
2017	4.000%	575,000	470,688	1,045,688
2018	4.000%	600,000	447,188	1,047,188
2019	4.000%	625,000	422,688	1,047,688
2020-2024	4.00-4.375%	3,475,000	1,711,141	5,186,141
2025-2029	4.50-4.75%	4,300,000	877,203	5,177,203
2030	4.750%	1,500,000	47,500	1,547,500
		<u>\$ 12,175,000</u>	<u>4,973,814</u>	<u>17,148,814</u>

Year Ending June 30,	Bond Issue of April 1, 2010 Series B			
	Interest Rates	Principal	Interest	Total
2015	4.000%	\$ 1,140,000	1,137,575	2,277,575
2016	4.000%	1,170,000	1,091,375	2,261,375
2017	4.000%	1,200,000	1,043,975	2,243,975
2018	4.000%	1,235,000	995,275	2,230,275
2019	4.000%	1,280,000	944,975	2,224,975
2020-2024	4.00-4.50%	7,215,000	3,865,550	11,080,550
2025-2029	4.50-5.00%	8,975,000	2,037,463	11,012,463
2030	5.000%	3,565,000	126,625	3,691,625
		<u>\$ 25,780,000</u>	<u>11,242,813</u>	<u>37,022,813</u>

Year Ending June 30,	Bond Issue of April 1, 2011			
	Interest Rates	Principal	Interest	Total
2015	2.500%	\$ 540,000	734,600	1,274,600
2016	3.000%	580,000	719,150	1,299,150
2017	3.500%	605,000	699,863	1,304,863
2018	3.500%	635,000	678,163	1,313,163
2019	4.000%	655,000	653,950	1,308,950
2020-2024	4.00-4.25%	3,685,000	2,846,156	6,531,156
2025-2029	4.25-4.75%	7,160,000	1,734,019	8,894,019
2030	4.75-5.00%	3,355,000	121,288	3,476,288
		<u>\$ 17,215,000</u>	<u>8,187,189</u>	<u>25,402,189</u>

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rates	Principal	Interest	Total
2015	2.000%	\$ 475,000	218,800	693,800
2016	2.000%	485,000	209,180	694,180
2017	2.000%	495,000	199,380	694,380
2018	2.000%	505,000	189,380	694,380
2019	2.000%	515,000	179,180	694,180
2020-2024	2.00-2.50%	2,745,000	713,525	3,458,525
2025-2029	2.50-2.75%	3,110,000	339,870	3,449,870
2030	3.000%	775,000	13,125	788,125
		<u>\$ 9,105,000</u>	<u>2,062,440</u>	<u>11,167,440</u>

Year Ending June 30,	Total Revenue Bonds		
	Principal	Interest	Total
2015	\$ 2,705,000	2,597,913	5,302,913
2016	2,785,000	2,510,173	5,295,173
2017	2,875,000	2,413,906	5,288,906
2018	2,975,000	2,310,006	5,285,006
2019	3,075,000	2,200,793	5,275,793
2020-2024	17,120,000	9,136,372	26,256,372
2025-2029	23,545,000	4,988,555	28,533,555
2030	9,195,000	308,538	9,503,538
	<u>\$ 64,275,000</u>	<u>26,466,256</u>	<u>90,741,256</u>

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 \$90,741,256. For the current year, principal and interest paid on the bonds was \$5,317,125 and total statewide sales, services and use tax revenues were \$7,786,233.

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.

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

- 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

On November 24, 2009, the District issued Quality Zone Academy Bonds (OZAB) 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, 2014 QZAB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2015	2.600%	\$ --	33,750	33,750
2016	2.600%	--	33,750	33,750
2017	2.600%	--	33,750	33,750
2018	2.600%	--	33,750	33,750
2019	2.600%	--	33,750	33,750
2020-2024	2.600%	--	168,750	168,750
2025	2.600%	1,500,000	16,875	1,516,875
		<u>\$ 1,500,000</u>	<u>354,375</u>	<u>1,854,375</u>

Qualified School Construction Bonds

On November 24, 2009, 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, 2014 QSCB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2015	2.600%	\$ --	146,900	146,900
2016	2.600%	--	146,900	146,900
2017	2.600%	--	146,900	146,900
2018	2.600%	--	146,900	146,900
2019	2.600%	--	146,900	146,900
2020-2024	2.600%	--	734,500	734,500
2025-2026	2.600%	5,650,000	73,450	5,723,450
		<u>\$ 5,650,000</u>	<u>1,542,450</u>	<u>7,192,450</u>

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

(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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$4,820,935, \$4,637,914, and \$4,322,897, respectively, equal to the required contributions for each year.

(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.

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 GASS 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 650,943
Interest on net OPEB obligation	22,383
Adjustment to annual required contribution	<u>(22,957)</u>
Annual OPEB cost	650,369
Contributions made	<u>(387,000)</u>
Increase in net OPEB obligation	263,369
Net OPEB obligation, beginning of year	<u>688,714</u>
Net OPEB obligation, end of year	<u>\$ 952,083</u>

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, 2014.

For the year ended June 30, 2014, the District contributed \$387,000 to the medical plan. Plan members receiving benefits contributed \$683,752, or 63.9% of the premium costs.

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

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, 2014 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 772,318	93.2	\$ 475,855
June 30, 2013	629,859	66.2	688,714
June 30, 2014	650,369	59.5	952,083

Funding Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$6.029 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,029 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$54.5 million, and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2014, there was no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trends. 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 assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of 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 7.8%, 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.

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

Council Bluffs Community School District

**Notes to Basic Financial Statements
June 30, 2014**

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.

(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	\$	525,563
Incurred claims		6,692,084
Payments		<u>6,692,084</u>
Incurred and unpaid claims, end of year	\$	<u>525,563</u>

(9) Categorical Funding

The District's ending fund balances for categorical funding by project as of and for the year ended June 30, 2014 are as follows:

<u>Project</u>	<u>Amount</u>
Voluntary preschool	\$ 733,605
Dropout prevention	427,979
Core curriculum	200,358
Limited English proficiency	177,145
Teach salary supplement	151,423
Shared vision	129,797
Early readers	86,691
Early childhood program – empowerment	65,488
Reading recovery	30,746
Teacher leadership	<u>6,783</u>
	\$ <u>2,010,015</u>

(10) Risk Management

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

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2014

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$3,695,117 for the year ended June 30, 2014.

(12) Construction Commitment

The District has entered into various contracts for projects within the District. As of June 30, 2014, costs of \$3,404,564 had been incurred against the contracts. The balance of \$6,820,645 remaining at June 30, 2014 will be paid as work on the projects progresses.

(13) Lease Commitments

During 2014, the District entered into a lease agreement for the use of various vehicles and buses for student transportation. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 409,500
2016	409,500
2017	409,500

(14) Subsequent Events

On July 1, 2014, the District issued \$6.0 million dollars in bond anticipation notes, pledging future statewide sales, services and use tax revenues to repay the indebtedness over a four year period ending July 1, 2018. The notes bear interest at 1.485%.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Council Bluffs Community School District

**Required Supplementary Information
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual –
 All Governmental Funds and Proprietary Fund
 For the Year Ended June 30, 2014**

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
REVENUES						
Local sources	\$ 50,928,544	1,112,981	52,041,525	51,621,544	51,621,544	419,981
State sources	59,383,774	39,042	59,422,816	59,151,816	59,151,816	271,000
Federal sources	5,954,736	3,793,871	9,748,607	8,442,368	8,442,368	1,306,239
Total revenues	<u>116,267,054</u>	<u>4,945,894</u>	<u>121,212,948</u>	<u>119,215,728</u>	<u>119,215,728</u>	<u>1,997,220</u>
EXPENDITURES/EXPENSES						
Instruction	70,241,292	--	70,241,292	76,632,898	76,632,898	6,391,606
Support Services	30,522,267	--	30,522,267	26,718,598	31,000,000	477,733
Non-instructional programs	--	4,484,872	4,484,872	4,901,761	4,901,761	416,889
Other expenditures	13,833,080	--	13,833,080	17,748,001	17,748,001	3,914,921
Total expenditures/expenses	<u>114,596,639</u>	<u>4,484,872</u>	<u>119,081,511</u>	<u>126,001,258</u>	<u>130,282,660</u>	<u>11,201,149</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES	1,670,415	461,022	2,131,437	(6,785,530)	(11,066,932)	(13,198,369)
BALANCES, Beginning of year	<u>36,614,511</u>	<u>639,666</u>	<u>37,254,177</u>	<u>33,897,628</u>	<u>33,897,628</u>	<u>(3,356,549)</u>
BALANCES, End of year	<u>\$ 38,284,926</u>	<u>1,100,688</u>	<u>39,385,614</u>	<u>27,112,098</u>	<u>22,830,696</u>	<u>(16,554,918)</u>

See note to Required Supplementary Information

Council Bluffs Community School District

Notes to Required Supplementary Information – Budgetary Reporting For the Year Ended June 30, 2014

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 \$4,281,402.

During the year ended June 30, 2014, 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
Required Supplementary Information
For the Year Ended June 30, 2014**

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	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	7/1/2010	\$ --	\$ 7,487	\$ 7,487	0.0%	\$ 55,321	13.5%
2012	7/1/2010	--	7,683	7,683	0.0%	54,241	14.2%
2013	7/1/2012	--	5,834	5,834	0.0%	53,940	10.8%
2014	7/1/2012	--	6,029	6,029	0.0%	54,532	11.1%

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.

Council Bluffs Community School District

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue		
	Student Activity Funds	Management Levy Fund	Total
ASSETS			
Cash, cash equivalents and pooled investments	\$ 401,776	1,164,174	1,565,950
Receivables:			
Property tax:			
Succeeding year	--	1,999,999	1,999,999
Accounts	--	33,768	33,768
Total assets	<u>401,776</u>	<u>3,197,941</u>	<u>3,599,717</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities			
Accounts payable	29,964	--	29,964
Accrued expenses	648	--	648
Total liabilities	<u>30,612</u>	<u>--</u>	<u>30,612</u>
Deferred inflows of resources			
Succeeding year property tax	<u>--</u>	<u>1,999,999</u>	<u>1,999,999</u>
Fund balances			
Restricted for:			
Management levy purposes	--	1,197,942	1,197,942
Student activities	371,164	--	371,164
Total fund balances	<u>371,164</u>	<u>1,197,942</u>	<u>1,569,106</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 401,776</u>	<u>3,197,941</u>	<u>3,599,717</u>

Council Bluffs Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	Special Revenue		
	Student Activity Funds	Management Levy	Total
REVENUES			
Local sources:			
Local tax	\$ --	2,123,608	2,123,608
Other	755,483	--	755,483
Total revenues	<u>755,483</u>	<u>2,123,608</u>	<u>2,879,091</u>
EXPENDITURES			
Current			
Instruction:			
Other instruction	852,459	--	852,459
Support services:			
Administration services	--	36,281	36,281
Operation and maintenance of plant services	--	1,448,249	1,448,249
Transportation services	3,272	--	3,272
Total expenditures	<u>3,272</u>	<u>1,484,530</u>	<u>1,487,802</u>
Total expenditures	<u>855,731</u>	<u>1,484,530</u>	<u>2,340,261</u>
NET CHANGE IN FUND BALANCE	(100,248)	639,078	538,830
FUND BALANCES, BEGINNING OF YEAR	<u>471,412</u>	<u>558,864</u>	<u>1,030,276</u>
FUND BALANCES, END OF YEAR	<u>\$ 371,164</u>	<u>1,197,942</u>	<u>1,569,106</u>

Council Bluffs Community School District

**Combining Balance Sheet
Capital Project Funds
For the Year Ended June 30, 2014**

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
ASSETS			
Cash, cash equivalents and pooled investments	\$ 6,239,120	3,187,726	9,426,846
Receivables			
Property tax:			
Succeeding year	--	2,131,805	2,131,805
Accounts	1,230,327	32,934	1,263,261
Total assets	<u>\$ 7,469,447</u>	<u>5,352,465</u>	<u>12,821,912</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	<u>\$ 454,465</u>	<u>63,009</u>	<u>517,474</u>
Deferred inflows of resources			
Succeeding year property tax	<u>--</u>	<u>2,131,805</u>	<u>2,131,805</u>
Fund balances			
Restricted for:			
School infrastructure	7,014,982	--	7,014,982
Physical plant and equipment	<u>--</u>	<u>3,157,651</u>	<u>3,157,651</u>
Total fund balances	<u>7,014,982</u>	<u>3,157,651</u>	<u>10,172,633</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,469,447</u>	<u>5,352,465</u>	<u>12,821,912</u>

Council Bluffs Community School District

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Capital Project Funds
For the Year Ended June 30, 2014**

	<u>Capital Projects</u>		
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
REVENUES			
Local sources:			
Local tax	\$ 7,786,233	2,104,527	9,890,760
Other	464	448,329	448,793
Total revenues	<u>7,786,697</u>	<u>2,552,856</u>	<u>10,339,553</u>
EXPENDITURES			
Current			
Instruction:			
Regular instruction	--	420,203	420,203
Support services:			
Instructional staff services	--	41,548	41,548
Administration services	3,207	134,178	137,385
Transportation services	--	390,000	390,000
	<u>3,207</u>	<u>565,726</u>	<u>568,933</u>
Other expenditures:			
Facilities acquisition	<u>2,694,832</u>	<u>888,313</u>	<u>3,583,145</u>
Total expenditures	<u>2,698,039</u>	<u>1,874,242</u>	<u>4,572,281</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,088,658	678,614	5,767,272
OTHER FINANCING USES			
Transfers out	<u>(6,038,466)</u>	--	<u>(6,038,466)</u>
NET CHANGE IN FUND BALANCE	(949,808)	678,614	(271,194)
FUND BALANCES, BEGINNING OF YEAR	<u>7,964,790</u>	<u>2,479,037</u>	<u>10,443,827</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,014,982</u>	<u>3,157,651</u>	<u>10,172,633</u>

Council Bluffs Community School District

**Schedule of Changes in Special Revenue Fund – Student Activity Accounts
For the Year Ended June 30, 2014**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bloomer	\$ 2,355	1,223	3,097	481
Carter Lake	38,837	--	28,612	10,225
College View	20,003	--	19,180	823
Crescent	8,291	--	502	7,789
Edison	19,696	--	19,525	171
Franklin	11,393	3,591	6,023	8,961
Hoover	7,783	1,189	680	8,292
Lewis & Clark	12,313	3,982	4,634	11,661
Longfellow	20,068	1,333	1,716	19,685
Roosevelt	17,134	--	9,442	7,692
Rue	6,335	--	--	6,335
Walnut Grove	4,386	--	--	4,386
Kirn JHS	57,156	74,290	81,973	49,473
Woodrow Wilson JHS	52,196	84,794	75,978	61,012
Tucker Center	6,490	8,417	10,061	4,846
Thomas Jefferson SHS	18,304	283,123	268,447	32,980
Abraham Lincoln SHS	158,528	293,541	325,861	126,208
Kanesville AHS	10,144	--	--	10,144
	<u>\$ 471,412</u>	<u>755,483</u>	<u>855,731</u>	<u>371,164</u>

Council Bluffs Community School District

**Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund
For the Year Ended June 30, 2014**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and cash equivalents	\$ 56,488	325,086	229,973	151,601
Total assets	<u>\$ 56,488</u>	<u>325,086</u>	<u>229,973</u>	<u>151,601</u>
LIABILITIES				
Accounts payable	\$ 3,398	4,990	3,398	4,990
Due to other governments	53,090	320,096	226,575	146,611
Total liabilities	<u>56,488</u>	<u>325,086</u>	<u>229,973</u>	<u>151,601</u>

Council Bluffs Community School District

Schedule of Revenues by Source and Expenditures by Function All Governmental Funds For the Year Ended June 30, 2014

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES:										
Local sources:										
Local Tax	\$ 42,564,152	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
Tuition	2,712,434	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
Other	5,651,958	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
State sources:	59,383,774	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
Federal sources:	5,954,736	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
Total	<u>116,267,054</u>	<u>113,152,690</u>	<u>117,554,772</u>	<u>113,116,943</u>	<u>102,956,458</u>	<u>102,278,190</u>	<u>97,937,885</u>	<u>93,663,767</u>	<u>90,346,110</u>	<u>85,007,964</u>
EXPENDITURES:										
Instruction:										
Regular Instruction	35,487,624	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
Special Instruction	31,250,302	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
Other Instruction	3,503,366	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
Support services:										
Student services	3,104,599	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
Instructional staff services	2,379,699	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
Administration services	12,372,695	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
Operation and maintenance of plant services	9,176,788	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
Transportation services	3,488,486	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
Non-instructional programs	--	--	--	--	--	3,844	5,993	3,272	13,634	--
Other expenditures:										
Facilities acquisition	3,583,145	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
Long-term debt:										
Principal	3,635,000	3,495,000	1,000,000	1,000,000	1,000,000	840,000	785,000	767,766	845,305	841,074
Interest and fiscal charges	2,919,818	2,976,221	2,813,716	1,947,050	475,576	325,437	336,448	362,989	389,130	432,941
AEA Flowthrough	3,695,117	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
Total	<u>\$ 114,596,639</u>	<u>115,169,064</u>	<u>114,073,355</u>	<u>140,388,779</u>	<u>123,430,188</u>	<u>115,117,779</u>	<u>99,554,211</u>	<u>91,066,037</u>	<u>88,643,161</u>	<u>81,286,729</u>

Council Bluffs Community School District

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures of Federal Awards
U.S. DEPARTMENT OF EDUCATION		
Passed through the State of Iowa Department of Education:		
Title I	84.010	\$ 2,450,149
Title I - carryover	84.010	22,613
Total Title I		<u>2,472,762</u>
Passed through the State of Iowa Department of Education:		
Vocational Education - Basic Grants to States	84.048	131,455
Safe and Drug-Free Schools and Communities	84.184	96,302
Gaining Early Awareness and Readiness of Undergraduate Programs	84.334	23,353
Advanced Placement Program	84.330	2,181
Title IIA - Federal Teacher Quality Program	84.367	437,376
Title III - English Language Acquisition State Grants	84.365	65,802
Grants for State Assessments and Related Activities	84.369	55,962
Total passed through the State of Iowa Department of Education		<u>812,431</u>
Passed through Green Hills Area Education Agency:		
IDEA, Part B	84.027	<u>477,259</u>
Total U.S. DEPARTMENT OF EDUCATION		<u>3,762,452</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through the State of Iowa Department of Education:		
Child Nutrition Cluster		
National School Lunch Program	10.555	2,639,018
Food Distribution - Child Nutrition Act (non-cash)	10.555	236,828
Summer Food Service Program for Children	10.559	121,047
Passed through the State of Iowa Department of Health and Human Services:		
School Breakfast Program	10.553	588,831
Total Child Nutrition Cluster		<u>3,585,724</u>
Passed through the State of Iowa Department of Education:		
Fresh Fruit and Vegetable Program	10.582	160,737
Nutritional Education and Training Program	10.564	47,410
Total U.S. DEPARTMENT OF AGRICULTURE		<u>3,793,871</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 7,556,323</u>

The accompanying notes are an integral part of this schedule.

Council Bluffs Community School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Council Bluffs Community School District under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Council Bluffs Community School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Council Bluffs Community School District.

Note 2. Summary of Significant Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2014.

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 that are 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, 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. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

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*, which are described in Section II 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, 2014 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.

SEIM JOHNSON, LLP

Omaha, Nebraska,
November 25, 2014.

Independent Auditor's Report on Compliance For Each Major Federal Program, and Report on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Education
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 *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, 2014. Council Bluffs Community School District's major federal programs are identified in the summary of auditor's results section 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 auditing standards generally accepted in the United States of America, 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.

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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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 that are 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-003 that we consider to be significant deficiencies.

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.

SEIM JOHNSON, LLP

Omaha, Nebraska,
November 25, 2014.

Council Bluffs Community School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

2014-001 Allocation of Employee Payroll Expenditures

Criteria or Specific Requirement:

Management is responsible for establishing and maintaining effective internal control over financial reporting to ensure the financial statements are accurately presented in accordance with accounting principles generally accepted in the United States of America.

Condition:

The District does not have sufficient controls in place to ensure the allocation of employee payroll expenditures to specific project codes is appropriate.

Context:

During our audit, we were unable to obtain documentation of approved allocation of employee payroll expenditures and noted that management was required to make significant reclassification entries to payroll expenditures throughout the year.

Effect:

Management was required to make significant reclassification entries to payroll expenditures throughout the year.

Cause:

Management noted that employees are assigned to projects based on verbal communications from project managers and/or the employee's supervisors. This information is updated in the payroll/human resources system as needed.

Recommendation:

We recommend management implement procedures to document approvals of project code allocations for employees. This should include developing a process to ensure that project code allocations are assigned appropriately at the time of hire, and that changes are requested, documented and approved on a timely basis.

Views of Responsible Officials and Planned Corrective Actions:

Management addressed this issue for future years by requiring staff to submit allocations at the beginning of the year to ensure proper coding of payroll expenditures.

2014-002 Approval of Purchase Card Expenditures

Criteria or Specific Requirement:

Management is responsible for establishing and maintaining effective internal control over financial reporting to ensure the financial statements are accurately presented in accordance with accounting principles generally accepted in the United States of America.

Condition:

Management was unable to provide documentation of approvals of purchase card expenditures.

Context:

During our audit, we were unable to obtain documentation of approvals for eight of fourteen purchase card transactions selected for testing.

Effect:

Management was unable to provide sufficient support or documentation that purchases made with the purchasing card were approved according to policies.

Council Bluffs Community School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Cause: Purchase card approvals are done online through the purchase card provider's web service. The historical online approvals are not available after a certain amount of time has passed. In addition, management noted that the online approvals are not monitored and that expenditures post to the general ledger as long as the account allocation is completed. We noted no other manual or secondary reviews or approvals of purchase card expenditures.

Recommendation: We recommend management implement procedures to document approvals of purchase card expenditures and maintain documentation of these approvals. Purchase cards are an area of higher risk of fraud or misappropriation of assets, therefore it is important that the transactions be reviewed and approved by an immediate supervisor or program coordinator. In addition, certain banks provide purchase card programs with additional controls related to limitations on merchant classifications, which could provide an added level of control over the types of expenditures allowed to be charged on purchase cards.

**Views of Responsible
Officials and Planned
Corrective Actions:**

Management has communicated with the appropriate individuals the importance of approving purchasing card transactions. Management will improve monitoring and oversight of purchasing card transactions.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

CFDA Number: 84.010 – Title I

Federal Award Year: 2014

U.S. Department of Education, Passed through the Iowa Department of Education

2014-003 Documentation of Employee Time and Effort

Criteria: Schools operating a schoolwide program that does not consolidate Federal funds with State and local funds in a consolidated schoolwide pool, must document employee time and effort in accordance with OMB Circular A-87, Attachment B. This stipulates that an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single objective. If an employee works on multiple activities or cost objective, he/she must maintain time and effort distribution records by individual pay period which documents the portion of time and effort dedicated to the Federal program or cost objective and the portion of time supported by other revenue sources.

Condition: The District maintains semi-annual certifications employees working primarily in Title I programs, however the certifications for many of these employees indicate that they are working a portion of the time in the Title I program with the remaining time spent on state funded programs. In addition, the District does not maintain time and effort documentation for employees that were paid from Title I funding for activities outside of their general job assignment.

Council Bluffs Community School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Context: During the audit we tested a sample of payroll transactions that were charged to the major federal programs. Documentation of time and effort requirements applied to twenty-two items within the sample. We noted that twenty-one of the payroll transactions tested were for employees whose time and effort documentation indicated their time was spent between Title I and other State funded programs.

Effect: Employees that do not work solely on Title I programs should be completing time and effort documentation on a per pay period basis and are not. Therefore, the District does not appear to be in compliance with this requirement.

Cause: The District believed that the semi-annual certifications were sufficient to meet the compliance requirement.

Recommendation: We recommend management review the compliance requirements related to employee's time and effort. If employees continue to be allocated between Federal and State programs, we recommend management utilize the "Activity Sheet for Split Federally Funded Staff" available through the Iowa Department of Education, or similar form to document hours worked on federally funded programs per pay period.

**Views of
Responsible
Officials and
Planned Corrective
Actions:**

The district is reviewing its policies and procedures, and is discussing the matter with the Iowa Department of Education to ensure that compliance is achieved in the future. Based on discussion with the Iowa Department of Education the District will implement procedures to ensure compliance is achieved in the future.

2014-001 Allocation of Employee Payroll Expenditures

Condition: The District does not have sufficient controls in place to ensure the allocation of employee payroll expenditures to specific project codes, including projects funded by Title I, is appropriate.

See additional information regarding this finding in Section II – Financial Statement Findings, Finding 2014-001.

Council Bluffs Community School District

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 11-B-13 Payroll Classifications
Federal Program CFDA #84.010, Title I
Condition: Employee cost center classification codes were not always properly updated to reflect staff change allocations to categorical and federally funded cost centers.
Auditee 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.
Status: Not cleared; see current year finding, 2014-001.

PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 11-A-13 Financial Reporting
Federal Program CFDA #84.010, Title I
Condition: 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.
Auditee 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 fieldwork.
Status: Cleared.

Finding 11-B-13 Payroll Classifications
Federal Program CFDA #84.010, Title I
Condition: Employee cost center classification codes were not always properly updated to reflect staff change allocations to categorical and federally funded cost centers.
Auditee 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.
Status: Not cleared; see current year finding, 2014-001.

Council Bluffs Community School District

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

IV-A-14 Certified Budget

Expenditures for the year ended June 30, 2014 did not exceed the amended certified budget.

IV-B-14 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-14 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-14 Business Transactions

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

IV-E-14 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-14 Board Minutes

No transactions were found that we believe should have been approved by the Board Minutes.

IV-G-14 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 understated by 1.0 student.

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

Response – The District will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion – Response accepted.

IV-H-14 Supplemental Weighting

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

IV-I-14 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.

Council Bluffs Community School District

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

IV-J-14 Certified Annual Report

The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-14 Categorical Funding

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

IV-L-14 Statewide Sales, Services and Use Tax

No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423.3 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, 2014, 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 2014 audit.

Beginning balance		\$	7,964,790
Revenues/transfers in:	\$		
Sales tax revenues	7,786,233		
Other local revenues	464		
			<u>7,786,697</u>
			15,751,487
Expenditures/transfers out:			
Administration	3,208		
School infrastructure construction	2,694,832		
Transfers to the Debt Service Fund	6,038,465		
			<u>8,736,505</u>
Ending balance		\$	<u>7,014,982</u>

For the year ended June 30, 2014, the District reduced the following levy as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

		Rate of Levy Reduction Per \$1,000 of <u>Taxable Valuation</u>		<u>Property Tax Dollars Reduced</u>
Ending balance	\$	2.84	\$	6,038,465

IV-M-14 Revenue Bonds

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

Council Bluffs Community School District

Audit Staff For the Year Ended June 30, 2014

This audit was performed by:

Brian D. Green, FHFMA, CPA, Partner

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