

Council Bluffs Community School District
Council Bluffs, Iowa

**Financial Statements and
Supplementary Information
June 30, 2016**

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>
Troy Arthur	President	2019
Dr. Jill Ogg-Gress	Vice President	2017
Dave Coziahr	Board Member	2019
Scott Hansen	Board Member	2017
Susan Riley	Board Member	2017
Chris LaFerla	Board Member	2019
Bill Grove	Board Member	2019

School Officials

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

Independent Auditor's Report

To the Board of Education
Council Bluffs Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Council Bluffs Community School District, Council Bluffs, Iowa (the District), as of and for the year ended June 30, 2016, 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, 2016, 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 on pages 4 through 13, and the Budgetary Comparison Information, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 auditing standards 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 seven 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 47 through 55, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 auditing standards 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

SEIM JOHNSON, LLP

Omaha, Nebraska,
December 9, 2016.

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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follows.

2016 Financial Overview

- General Fund revenues increased from \$106,557,279 in fiscal 2015 to \$109,641,584 in fiscal 2016. The increase in General Fund revenues was attributed to an increase in state aid. General Fund expenditures increased from \$108,335,950 in fiscal 2015 to \$111,694,228 in fiscal 2016, primarily due to increases in instructional costs. The difference between fiscal 2016 revenues and expenditures resulted in a net decrease in fund balance of \$2,052,644. As a result, the District's General Fund balance decreased from \$12,350,002 in fiscal 2015 to a balance of \$10,297,358 in fiscal 2016, which represents a 16.62% decrease from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 10.4% at June 30, 2015 to 8.77% at June 30, 2016. The State School Budget Review Committee recommends a solvency ratio of 5%-10%.

USING THIS ANNUAL REPORT

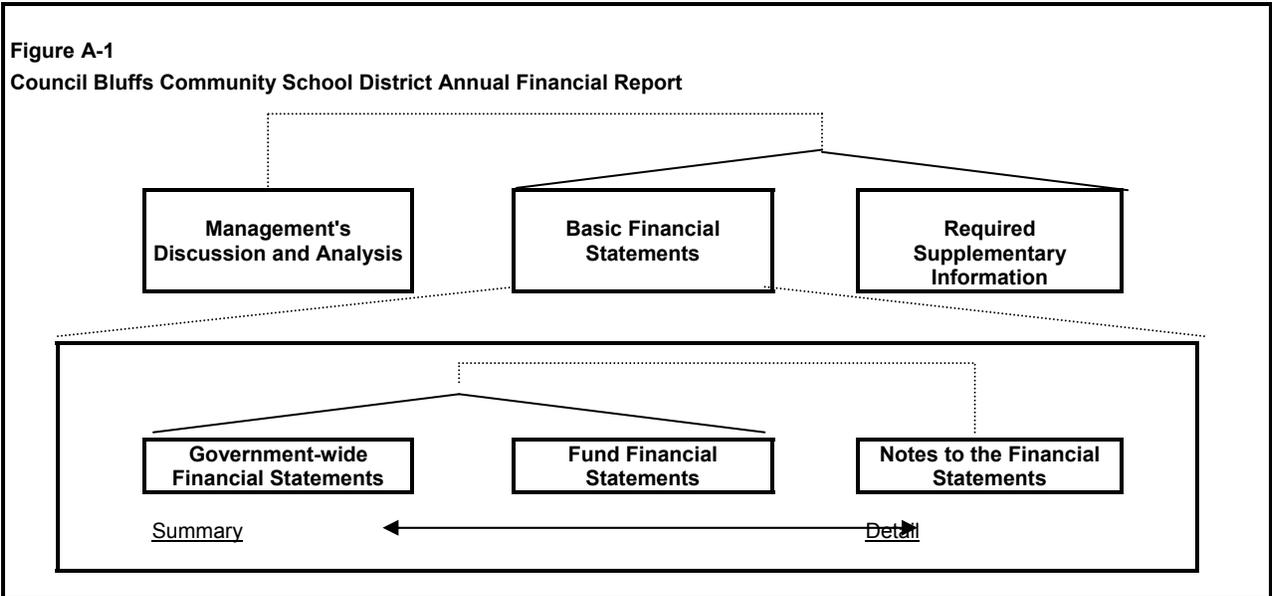
The annual report consists of a series of financial statements and other information, as follows:

- 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.

Government-Wide Financial Analysis

Net Position – Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3
Statement of Net Position

	Governmental Activities		Business-type Activities		Total School District		% Change 2015-2016
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 90,297,818	90,886,475	1,957,485	1,665,157	92,255,303	92,551,632	-0.32%
Capital assets	138,312,523	132,516,174	190,105	209,007	138,502,628	132,725,181	4.35%
Total assets	228,610,341	223,402,649	2,147,590	1,874,164	230,757,931	225,276,813	2.43%
Deferred outflows	16,342,393	7,239,520	365,851	159,236	16,708,244	7,398,756	100%
Total assets and deferred outflows	244,952,734	230,642,169	2,513,441	2,033,400	247,466,175	232,675,569	6.36%
Liabilities	132,140,943	126,713,916	1,164,151	942,847	133,305,094	127,656,763	4.42%
Deferred inflows	49,633,467	47,250,805	217,845	200,731	49,851,312	47,451,536	5.06%
Net position:							
Invested capital assets-net of related debt	69,684,800	58,394,245	190,105	209,007	69,874,905	58,603,252	19.23%
Restricted	17,729,199	23,302,164	--	--	17,729,199	23,302,164	-23.92%
Unrestricted	(24,235,675)	(25,018,961)	941,340	680,815	(23,294,335)	-24,338,146	-4.29%
Total net position	63,178,324	56,677,448	1,131,445	889,822	64,309,769	57,567,270	11.71%
Total liabilities, deferred inflows and net position	\$ 244,952,734	230,642,169	2,513,441	2,033,400	247,466,175	232,675,569	6.36%

The District's combined net position increased 11.71%, over the prior year, due to a large renovation investment in the district's stadium, of which 71% is financed from outside grants and gifts.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased 23.92% compared to last year, primarily a result of a decrease in debt net position related to two bond refinancing initiatives.

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 4.29%.

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, 2016 compared to the year ended June 30, 2015.

Figure A-4
Summary of Changes in Net Position

	Governmental Activities		Business Type Activities		Total School District		% Change 2015-2016
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues:							
Charges for services	\$ 4,044,918	4,115,580	460,463	723,437	4,505,381	4,839,017	-6.89%
Operating grants, contributions and restricted interest	23,567,285	23,666,935	4,793,191	4,292,805	28,360,476	27,959,740	1.43%
Capital grants, contributions, and restricted interest	7,727,296	106,804	--	--	7,727,296	106,804	7135.02%
General revenue:							
Property tax	34,554,584	35,644,150	--	--	34,554,584	35,644,150	-3.06%
Statewide sales, services and use tax	8,683,826	8,537,607	--	--	8,683,826	8,537,607	1.71%
Unrestricted state grants	53,033,804	49,319,708	--	--	53,033,804	49,319,708	7.53%
Other	80,533	52,327	--	--	80,533	52,327	53.90%
Total revenues	131,692,246	121,443,111	5,253,654	5,016,242	136,945,900	126,459,353	8.29%
Program expenditures by Governmental Activities							
Instruction	74,473,012	73,583,710	--	--	74,473,012	73,583,710	1.21%
Support services	35,323,528	31,751,803	--	--	35,323,528	31,751,803	11.25%
Non-instructional programs	--	--	5,012,031	4,594,436	5,012,031	4,594,436	9.09%
Other expenses	15,394,830	15,117,081	--	--	15,394,830	15,117,081	1.84%
Total expenses	125,191,370	120,452,594	5,012,031	4,594,436	130,203,401	125,047,030	4.12%
Change in net position	6,500,876	990,517	241,623	421,806	6,742,499	1,412,323	377.40%
Beginning Net Position, as restated	56,677,448	55,686,931	889,822	468,016	57,567,270	56,154,947	2.52%
Ending Net Position	\$ 63,178,324	56,677,448	1,131,445	889,822	64,309,769	57,567,270	11.71%

In fiscal 2016, property tax, statewide sales, service and use tax and unrestricted state grants account for 73.17% compared to 77.03% in fiscal 2015 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 an 8.29% increase in FY16 revenues compared to a 4.33% increase in FY15, and a 4.12% increase in FY16 expenditures compared to a 5.89% increase in FY15 expenses. The increase in revenues is attributable to an increase in state aid and stadium renovation grants and gifts. The increase in expenses related to an increase in instructional and stadium renovation costs.

Governmental Activities

Revenues for governmental activities were \$131,692,246 and expenses were \$125,191,370 for the year ended June 30, 2016. The District levied a cash reserve levy and minimized increases in expenditures to slow the decrease in the District's solvency ratio.

Council Bluffs Community School District

Management's Discussion and Analysis

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, 2016 compared to the year ended June 30, 2015.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost			Net Cost		
	June 30,			June 30,		
	2016	2015	% Change	2016	2015	% Change
Instruction	74,473,012	73,583,710	1.21%	51,206,423	50,410,182	1.58%
Support services	35,323,528	31,751,803	11.25%	35,122,058	31,103,732	12.92%
Other expenses	15,394,830	15,117,081	1.84%	3,523,390	11,049,361	-68.11%
Totals	125,191,370	120,452,594	3.93%	89,851,871	92,563,275	-2.93%

- The cost financed by users of the District's programs was \$4,044,918.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$19,295,794.
- The net cost of governmental activities was financed with \$34,554,584 in property tax, \$8,683,826 in statewide sales, services and use tax, \$53,033,804 in unrestricted state grants, \$47,884 in interest income, and \$32,649 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$5,253,654 and expenses were \$5,012,031. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The district provided free breakfast and lunch, without charge, in eight CEP (Community Eligibility Provision) schools under a key provision of *The Healthy, Hunger Free Kids Act* (HHFKA, Public Law 111-296; December 13, 2010). CEP schools are defined as schools in low income areas in the aggregate for the specific school. The district is reimbursed using a formula based on the percentage of students participating in other specific means-tested programs.

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 \$28,217,621 for 2016 and \$35,777,374 for 2015. The decrease was attributable to the deficit in the general fund and bond issuance refinancing in the debt service fund.

Council Bluffs Community School District

Management's Discussion and Analysis

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Revenues increased from FY15 attributable to a greater increase in state aid. Expenditures related to instruction rose, resulting in a net position decrease from \$12,350,002 to \$10,297,358.
- The Debt Service Fund net position decreased from \$13,120,984 in fiscal 2015 to a balance of \$9,486,446 in fiscal 2016 due to refinancing two bond issues.
- Capital Project Fund net position decreased from fiscal 2015 from \$8,089,224 to \$5,637,393 in fiscal 2016 due to moving allowable capital expenditures from the general fund, increases in lease costs due to specific special education funding, and the stadium renovation project.

Proprietary Fund Highlights

The School Nutrition Fund net position increased 27.15% from \$889,822 at June 30, 2015 to \$1,131,445 at June 30, 2016.

Budgetary Highlights

The District's revenues were roughly \$41.9 million less and expenditures were \$2.8 million less than the certified budget submitted in April 2015 for each respective category, and amended in May 2016. The large revenue difference between the original budget and actual results were due to the bond refinancing and how the transaction is recorded on the district's financial records. No mechanism is in place at the state level to amend the revenue component of the budget.

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, 2016, the District had invested \$138.3 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 \$8.9 million.

The original cost of the District's capital assets was \$214.0 million. Governmental funds account for \$213.3 million with the remainder in the Proprietary, School Nutrition Fund.

Council Bluffs Community School District

Management's Discussion and Analysis

The largest change in capital asset activity during the year occurred in work-in-progress category related to a stadium remodeling project.

Figure A-6
Capital Asset Summary

	Governmental Activities		Business Activities		Total School District		% Change 2015-2016
	June 30,		June 30,		June 30,		
	2016	2015	2016	2015	2016	2015	
Land	3,960,545	1,530,039	--	--	3,960,545	1,530,039	158.85%
Construction in progress	9,516,450	5,941,883	--	--	9,516,450	5,941,883	60.16%
Buildings & land improvements	122,995,651	123,968,718	--	--	122,995,651	123,968,718	-0.78%
Furniture & equipment	1,839,877	1,075,534	190,105	209,007	2,029,982	1,284,541	58.03%
Totals	138,312,523	132,516,174	190,105	209,007	138,502,628	132,725,181	4.35%

Long-Term Debt

At June 30, 2016 the District had \$117.0 million in general obligation and other long-term debt outstanding. This represents an increase of 7.3% from the prior year, related to the annual adjustment for GASB 68. The district refinanced the 2010B and 2011 bond issues taking advantage of lower interest rates. As part of the refinancing, the district obtained \$3 million in funds used for the stadium renovation project. 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

	2015	2015	% Change 2015-2016
General obligation bonds	--	500,000	-100.0%
Revenue Bonds	61,387,000	61,570,000	-0.3%
Bond anticipation note	3,418,715	4,901,929	100.0%
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	224,813	166,826	34.8%
Net OPEB Liability	1,518,234	1,083,821	40.1%
Net pension liability	43,314,464	33,718,021	100.0%
Totals	117,013,226	109,090,597	7.3%

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 political environment in Iowa makes planning for future funding difficult. The Iowa legislature is required to set school funding two years in advance but has not followed the law in recent years.
- The levels of state and federal funding for education are not keeping pace with the increases in cost and mandated growth. The district received a modest 1.25% increase in state funding for the year ended June 30, 2016, however, collective bargaining negotiations increased compensation packages 3.00%. Although the district's financial position is currently stable, small increases in future state aid will strain future district finances.

Council Bluffs Community School District

Management's Discussion and Analysis

- Costs associated with special education continue rising as more students are identified as requiring additional services. The special education deficit for 2016 was \$2.66 million compared to a deficit in 2015 of \$2.89 million.
- Potential of unfunded mandates at the state or federal level.
- The district has experienced an increase in enrollment the last four years of approximately 181 students, but a future enrollment decline will result in less state aid.
- Fixed costs are anticipated to increase regarding routine maintenance and utilities.

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash, and cash equivalents and pooled investments	\$ 35,085,675	1,812,687	36,898,362
Receivables:			
Property tax:			
Succeeding year	39,285,927	--	39,285,927
Accounts	6,259,472	36,511	6,295,983
Inventories	51,039	108,287	159,326
Investments	9,615,705	--	9,615,705
Capital assets, net of accumulated depreciation	138,312,523	190,105	138,502,628
Total assets	228,610,341	2,147,590	230,757,931
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	16,342,393	365,851	16,708,244
Total assets and deferred outflows of resources	\$ 244,952,734	2,513,441	247,466,175
LIABILITIES			
Accounts payable	\$ 4,621,861	71,079	4,692,940
Retainage payable	358,796	--	358,796
Salaries and benefits payable	11,789,303	239,132	12,028,435
Accrued expenses	56,307	--	56,307
Accrued interest payable	827,143	--	827,143
Current portion of long-term debt	6,206,362	--	6,206,362
Incurred and unpaid claims	802,299	--	802,299
Compensated absences	224,813	2,113	226,926
Long-term debt, net of current portion	62,421,361	--	62,421,361
Other post employment benefits	1,518,234	118,807	1,637,041
Net pension liability	43,314,464	733,020	44,047,484
Total liabilities	132,140,943	1,164,151	133,305,094
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	39,285,927	--	39,285,927
Advances from grantors	223,031	82,134	305,165
Pension related deferred inflows	10,124,509	135,711	10,260,220
Total deferred inflows of resources	49,633,467	217,845	49,851,312
NET POSITION			
Net investment in capital assets	69,684,800	190,105	69,874,905
Restricted for:			
Categorical funding	636,079	--	636,079
Debt service	8,659,303	--	8,659,303
Management levy purposes	2,581,166	--	2,581,166
Student activities	215,258	--	215,258
School infrastructure	4,439,488	--	4,439,488
Physical plant and equipment levy	1,197,905	--	1,197,905
Unrestricted	(24,235,675)	941,340	(23,294,335)
Total net position	63,178,324	1,131,445	64,309,769
Total liabilities, deferred inflows of resources and net position	\$ 244,952,734	2,513,441	247,466,175

See accompanying notes to the financial statements

Council Bluffs Community School District

Statement of Activities For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		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	\$ 36,623,054	1,406,744	10,758,276	--	(24,458,034)	--	(24,458,034)
Special instruction	34,513,705	1,651,748	8,353,334	--	(24,508,623)	--	(24,508,623)
Other instruction	3,336,253	912,303	184,184	--	(2,239,766)	--	(2,239,766)
	<u>74,473,012</u>	<u>3,970,795</u>	<u>19,295,794</u>	<u>--</u>	<u>(51,206,423)</u>	<u>--</u>	<u>(51,206,423)</u>
Support services:							
Student services	4,306,253	--	--	--	(4,306,253)	--	(4,306,253)
Instructional staff services	4,986,693	--	34,328	--	(4,952,365)	--	(4,952,365)
Administration services	12,560,146	--	--	--	(12,560,146)	--	(12,560,146)
Operation and maintenance of plant	9,538,387	72,093	--	--	(9,466,294)	--	(9,466,294)
Transportation services	3,932,049	2,030	93,019	--	(3,837,000)	--	(3,837,000)
	<u>35,323,528</u>	<u>74,123</u>	<u>127,347</u>	<u>--</u>	<u>(35,122,058)</u>	<u>--</u>	<u>(35,122,058)</u>
Other expenditures:							
Facilities acquisition	773,039	--	--	7,727,296	6,954,257	--	6,954,257
Long-term debt interest	2,336,192	--	103,826	--	(2,232,366)	--	(2,232,366)
AEA flowthrough	4,040,318	--	4,040,318	--	--	--	--
Depreciation (unallocated)*	8,245,281	--	--	--	(8,245,281)	--	(8,245,281)
	<u>15,394,830</u>	<u>--</u>	<u>4,144,144</u>	<u>7,727,296</u>	<u>(3,523,390)</u>	<u>--</u>	<u>(3,523,390)</u>
Total governmental activities	125,191,370	4,044,918	23,567,285	7,727,296	(89,851,871)	--	(89,851,871)
Business type activities:							
Non-instructional programs:							
Food service operations	5,012,031	460,463	4,793,191	--	--	241,623	241,623
Total	\$ <u>130,203,401</u>	<u>4,505,381</u>	<u>28,360,476</u>	<u>7,727,296</u>	<u>(89,851,871)</u>	<u>241,623</u>	<u>(89,610,248)</u>
General revenues							
Property and other tax levied for:							
General purposes:							
Debt service					\$ 31,924,775	--	31,924,775
Capital outlay					500,106	--	500,106
Statewide sales, services and use tax					2,129,703	--	2,129,703
Unrestricted state grants					8,683,826	--	8,683,826
Unrestricted investment earnings					53,033,804	--	53,033,804
Other					47,884	--	47,884
					32,649	--	32,649
Total general revenues					<u>96,352,747</u>	<u>--</u>	<u>96,352,747</u>
Change in net position					6,500,876	241,623	6,742,499
Net position, beginning of year					56,677,448	889,822	57,567,270
Net position end of year					\$ <u>63,178,324</u>	<u>1,131,445</u>	<u>64,309,769</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, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, cash equivalents and pooled investments	\$ 20,434,716	5,969,264	--	2,822,731	29,226,711
Receivables:					
Property tax:					
Succeeding year	34,221,802	3,614,129	--	1,449,996	39,285,927
Accounts	4,741,458	1,482,137	7,632	28,245	6,259,472
Other funds	--	118,892	--	--	118,892
Inventories	51,039	--	--	--	51,039
Investments	--	--	9,615,705	--	9,615,705
Total assets	<u>\$ 59,449,015</u>	<u>11,184,422</u>	<u>9,623,337</u>	<u>4,300,972</u>	<u>84,557,746</u>
LIABILITIES					
Accounts payable	\$ 2,977,991	1,574,006	17,999	51,865	4,621,861
Due to other funds	--	--	118,892	--	118,892
Retainage payable	--	358,796	--	--	358,796
Salaries & benefits payable	11,675,311	--	--	--	11,675,311
Accrued expenses	53,522	98	--	2,687	56,307
Total liabilities	<u>14,706,824</u>	<u>1,932,900</u>	<u>136,891</u>	<u>54,552</u>	<u>16,831,167</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues:					
Succeeding year property tax	34,221,802	3,614,129	--	1,449,996	39,285,927
Advances from grantors	223,031	--	--	--	223,031
Total deferred inflows of resources	<u>34,444,833</u>	<u>3,614,129</u>	<u>--</u>	<u>1,449,996</u>	<u>39,508,958</u>
FUND BALANCES					
Nonspendable:					
Inventories	51,039	--	--	--	51,039
Restricted for:					
Categorical funding	636,079	--	--	--	636,079
Debt service	--	--	9,486,446	--	9,486,446
School infrastructure	--	4,439,488	--	--	4,439,488
Physical plant and equipment	--	1,197,905	--	--	1,197,905
Management levy purposes	--	--	--	2,581,166	2,581,166
Student activities	--	--	--	215,258	215,258
Unassigned	9,610,240	--	--	--	9,610,240
Total fund balances	<u>10,297,358</u>	<u>5,637,393</u>	<u>9,486,446</u>	<u>2,796,424</u>	<u>28,217,621</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,449,015</u>	<u>11,184,422</u>	<u>9,623,337</u>	<u>4,300,972</u>	<u>84,557,746</u>
RECONCILIATION					
Total fund balances of governmental funds					\$ 28,217,621
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.					138,312,523
Long-term liabilities, including long-term debt, compensated absences payable, other postemployment benefits payable and net pension liability are not due and payable in the current period and therefore are not reported in the funds					(113,685,234)
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					(827,143)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds, as follows:					
Deferred outflows of resources				16,342,393	
Deferred inflows of resources				(10,124,509)	6,217,884
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.					4,942,673
Net position - governmental activities					<u>\$ 63,178,324</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, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources:					
Local tax	\$ 30,129,340	10,813,529	500,106	1,795,435	43,238,410
Tuition	3,111,592	--	--	--	3,111,592
Other	2,792,656	7,727,296	103,825	912,694	11,536,471
State sources	68,262,233	89,145	26,516	82,115	68,460,009
Federal sources	5,345,763	--	--	--	5,345,763
Total revenues	<u>109,641,584</u>	<u>18,629,970</u>	<u>630,447</u>	<u>2,790,244</u>	<u>131,692,245</u>
EXPENDITURES					
Current					
Instruction:					
Regular instruction	37,608,589	707,791	--	--	38,316,380
Special instruction	35,036,446	--	--	--	35,036,446
Other instruction	2,451,965	--	--	972,858	3,424,823
	<u>75,097,000</u>	<u>707,791</u>	<u>--</u>	<u>972,858</u>	<u>76,777,649</u>
Support services:					
Student services	4,525,022	--	--	--	4,525,022
Instructional staff services	4,638,959	119,146	--	8,084	4,766,189
Administration services	12,096,259	254,424	400,653	23,360	12,774,696
Operation and maintenance of plant services	7,816,563	640,947	--	1,195,630	9,653,140
Transportation services	3,480,107	409,950	--	11,052	3,901,109
	<u>32,556,910</u>	<u>1,424,467</u>	<u>400,653</u>	<u>1,238,126</u>	<u>35,620,156</u>
Other expenditures:					
Facilities acquisition	--	14,441,067	--	--	14,441,067
Long-term debt:					
Principal	--	--	4,768,213	--	4,768,213
Interest and fiscal charges	--	--	2,793,246	--	2,793,246
AEA flowthrough	4,040,318	--	--	--	4,040,318
	<u>4,040,318</u>	<u>14,441,067</u>	<u>7,561,459</u>	<u>--</u>	<u>26,042,844</u>
Total expenditures	<u>111,694,228</u>	<u>16,573,325</u>	<u>7,962,112</u>	<u>2,210,984</u>	<u>138,440,649</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,052,644)</u>	<u>2,056,645</u>	<u>(7,331,665)</u>	<u>579,260</u>	<u>(6,748,404)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issue	--	3,029,000	39,138,000	--	42,167,000
Payments to bond refunding escrow agent	--	--	(42,978,349)	--	(42,978,349)
Transfers in (out)	--	(7,537,476)	7,537,476	--	--
Total other financing sources and uses	<u>--</u>	<u>(4,508,476)</u>	<u>3,697,127</u>	<u>--</u>	<u>(811,349)</u>
CHANGE IN FUND BALANCE	(2,052,644)	(2,451,831)	(3,634,538)	579,260	(7,559,753)
FUND BALANCES, BEGINNING OF YEAR	<u>12,350,002</u>	<u>8,089,224</u>	<u>13,120,984</u>	<u>2,217,164</u>	<u>35,777,374</u>
FUND BALANCES, END OF YEAR	<u>\$ 10,297,358</u>	<u>5,637,393</u>	<u>9,486,446</u>	<u>2,796,424</u>	<u>28,217,621</u>
RECONCILIATION					
Net change in fund balances - total governmental funds				\$	(7,559,753)
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.					1,268,589
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.					5,796,350
The current year District employer share of IPERS contributions are reported as expenditures in governmental funds, but are reported as a deferred outflow of resources in the statement of net position.					1,542,345
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.					47,746,562
Bond proceeds provide current financial resources to governmental funds but issuing debt increases long term liabilities in the statement of net position.					(42,167,000)
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.					(126,217)
Change in net position - governmental activities				\$	<u>6,500,876</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, 2016

	Business-type Activities		Governmental
	Enterprise Funds		Activities
	Enterprise	School Nutrition	Internal Service Employee Health
ASSETS			
Current assets:			
Cash, cash equivalents and pooled investments	\$	1,812,687	5,858,964
Accounts receivable		36,511	--
Inventories		108,287	--
Total current assets		1,957,485	5,858,964
Noncurrent assets:			
Capital assets, net of accumulated depreciation		190,105	--
Total assets		2,147,590	5,858,964
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows		365,851	--
Total assets and deferred outflows of resources	\$	2,513,441	5,858,964
LIABILITIES			
Current liabilities:			
Accounts payable	\$	71,079	--
Salaries and benefits payable		239,132	113,992
Incurred and unpaid claims		--	802,299
Compensated absences		2,113	--
Other post employment benefits		118,807	--
Total current liabilities		431,131	916,291
Long-term liabilities:			
Net pension liability		733,020	--
Total liabilities		1,164,151	916,291
DEFERRED INFLOWS OF RESOURCES			
Advances from grantors		82,134	--
Pension related deferred inflows		135,711	--
Total deferred inflows of resources		217,845	--
NET POSITION			
Net investment in capital assets		190,105	--
Unrestricted		941,340	4,942,673
Total net position		1,131,445	4,942,673
Total liabilities, deferred inflows of resources, and net position	\$	2,513,441	5,858,964

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, 2016

	Business-type Activities		Governmental	
	Enterprise Funds		Activities	
	Enterprise	School Nutrition	Internal Service	Employee Health
OPERATING REVENUES				
Local sources:				
Charges for services	\$	460,463		10,730,741
OPERATING EXPENSES				
Support services:				
Administration services		--		9,463,878
Non-instructional programs:				
Food service operations:				
Salaries		1,453,791		--
Benefits		552,622		--
Purchased services		128,571		--
Supplies		2,819,891		--
Depreciation		57,156		--
Total operating expenses		5,012,031		9,463,878
OPERATING INCOME (LOSS)		(4,551,568)		1,266,863
NON-OPERATING REVENUE (EXPENSES):				
State sources		44,990		--
Federal sources		4,753,484		--
Loss on disposal of equipment		(5,283)		--
Other		--		1,726
Total non-operating revenues, net		4,793,191		1,726
CHANGE IN NET POSITION		241,623		1,268,589
NET POSITION, BEGINNING OF YEAR		889,822		3,674,084
NET POSITION, END OF YEAR	\$	1,131,445		4,942,673

See accompanying notes to the financial statements

Council Bluffs Community School District

Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2016

	Business-type Activities	
	Enterprise Funds	
	Enterprise	Governmental Activities
	School	Internal Service
	Nutrition	Employee Health
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from user charges	\$ 431,344	10,730,741
Payments to employees	(1,483,222)	--
Payments of employee benefits	(559,112)	(11,846)
Payments to suppliers for goods and services	(3,003,557)	(9,385,740)
Net cash provided by (used in) operating activities	<u>(4,614,547)</u>	<u>1,333,155</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State subsidies received	44,990	--
Federal subsidies received	4,753,484	--
Other nonoperating receipts	69,004	1,726
Net cash provided by noncapital financing activities	<u>4,867,478</u>	<u>1,726</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(38,254)	--
Net cash used in capital and related financing activities	<u>(38,254)</u>	<u>--</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	214,677	1,334,881
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,598,010</u>	<u>4,524,083</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,812,687</u>	<u>5,858,964</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (4,551,568)	1,266,863
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	57,156	--
Increase in accounts receivable	(29,119)	--
Increase in inventories	(48,532)	--
Increase in deferred outflows of resources	(206,615)	--
Decrease in accounts payable	(6,563)	--
Decrease in salaries and benefits payable	(35,777)	(11,846)
Increase in incurred and unpaid claims	--	78,138
Increase in other post employment benefits	36,397	--
Increase in net pension liability	227,249	--
Decrease in deferred inflows of resources	(57,175)	--
Net cash provided by (used in) operating activities	<u>\$ (4,614,547)</u>	<u>1,333,155</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During the year ended June 30, 2016 the District received \$315,239 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, 2016**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>113,285</u>
Total assets	<u><u>113,285</u></u>
LIABILITIES	
Accounts payable	8,664
Due to other governments	<u>104,621</u>
Total liabilities	<u><u>\$ 113,285</u></u>

See accompanying notes to the financial statements

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

(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 do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie County 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. 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, deferred outflows of resources, 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 are 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, 2016

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, 2016

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 is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance

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 levy 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 levy

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax levy contained in the budget certified to the County Board of Supervisors in April 2015.

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

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net 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
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
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

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.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

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, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

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 inflows of resources consists of unspent grant proceeds as well as property tax receivable, other receivables not collected within sixty days after year end, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2016, 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, 2016, the District had no assigned fund balance.

Unassigned – All amounts not included in the preceding classifications.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

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.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. New Recent Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The District adopted the guidance for the 2016 fiscal year. The impact of adopting this statement is reflected in the financial statements.

I. Subsequent Events

The District considered events occurring through December 9, 2016 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 bank deposits at June 30, 2016 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.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund Obligations Portfolio which are valued at an amortized cost of \$1,071,824. 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.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District had the following fair value measurements at June 30, 2016:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other Observable Inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Cash and money market funds	\$ 5,441,680	5,441,680	--	--
U.S. Government and Treasury obligations	3,102,201	--	3,102,201	--
		<u>5,441,680</u>	<u>3,102,201</u>	<u>-</u>
Investments not valued at fair value:				
Iowa Schools Joint Investment Trust Direct	<u>1,071,824</u>			
	<u>\$ 9,615,705</u>			

(3) **Interfund Transfers**

The detail of interfund transfers at June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>7,537,476</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, 2016

(4) Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,530,039	2,430,506	--	3,960,545
Construction in progress	5,941,883	10,921,038	7,346,471	9,516,450
Total capital assets not being depreciated	<u>7,471,922</u>	<u>13,351,544</u>	<u>7,346,471</u>	<u>13,476,995</u>
Capital assets being depreciated:				
Buildings and land improvements	189,121,534	7,346,471	840,429	195,627,576
Furniture and equipment	2,873,456	1,343,258	--	4,216,714
Total capital assets being depreciated	<u>191,994,990</u>	<u>8,689,729</u>	<u>840,429</u>	<u>199,844,290</u>
Less accumulated depreciation for:				
Buildings and land improvements	65,152,816	8,245,281	766,171	72,631,926
Furniture and equipment	1,797,922	578,914	--	2,376,836
Total accumulated depreciation	<u>66,950,738</u>	<u>8,824,195</u>	<u>766,171</u>	<u>75,008,762</u>
Total capital assets being depreciated, net	<u>125,044,252</u>	<u>(134,466)</u>	<u>74,258</u>	<u>124,835,528</u>
Governmental activities capital assets, net	<u>\$ 132,516,174</u>	<u>13,217,078</u>	<u>7,420,729</u>	<u>138,312,523</u>
Business-type activities				
Furniture and equipment	\$ 744,298	43,537	98,978	688,857
Less accumulated depreciation	<u>535,291</u>	<u>57,156</u>	<u>93,695</u>	<u>498,752</u>
Business-type activities capital assets, net	<u>\$ 209,007</u>	<u>(13,619)</u>	<u>5,283</u>	<u>190,105</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 30,351
Other	19,752
Support Services:	
Instructional	460,901
Administration	11,841
Operation and maintenance of plant	25,129
Transportation	30,940
	<u>578,914</u>
Unallocated	8,245,281
Total depreciation expense - governmental activities	<u>\$ 8,824,195</u>
Business-type activities:	
Nutrition services	<u>\$ 57,156</u>

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 500,000	--	500,000	--	--
Revenue bonds	61,570,000	42,167,000	42,350,000	61,387,000	4,701,000
Bond anticipation note	4,901,929	--	1,483,214	3,418,715	1,505,362
Quality zone academy bonds	1,500,000	--	--	1,500,000	--
Qualified school construction bonds	5,650,000	--	--	5,650,000	--
Gain on bond refunding	--	(3,413,348)	85,356	(3,327,992)	--
Compensated absences	158,367	224,813	158,367	224,813	224,813
Net OPEB liability	1,001,409	711,515	194,690	1,518,234	--
Net pension liability	33,212,250	10,102,214	--	43,314,464	--
Total	\$ 108,493,955	49,792,194	44,771,627	113,685,234	6,431,175
Business-type activities					
Compensated liabilities	\$ 8,459	2,113	8,459	2,113	2,113
Net OPEB liability	82,412	52,417	16,022	118,807	--
Net pension liability	505,771	227,249	--	733,020	--
	\$ 596,642	281,779	24,481	853,940	2,113

Details of the District's June 30, 2016 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
2017	3.000%	\$ 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	4.000%	650,000	397,188	1,047,188
2021	4.000%	675,000	370,687	1,045,687
2022-2026	4.00-4.375%	3,750,000	1,410,656	5,160,656
2027-2030	4.50-4.75%	4,200,000	457,312	4,657,312
		\$ 11,075,000	3,976,407	15,051,407

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

Year Ending June 30,	Bond Issue of March 1, 2012			
	Interest Rates	Principal	Interest	Total
2017	2.000%	\$ 495,000	199,360	694,360
2018	2.000%	505,000	189,360	694,360
2019	2.000%	515,000	179,160	694,160
2020	2.000%	525,000	168,760	693,760
2021	2.000%	535,000	156,823	691,823
2022-2026	2.50-2.75%	2,880,000	573,873	3,453,873
2027-2030	3.000%	2,690,000	166,845	2,856,845
		<u>\$ 8,145,000</u>	<u>1,634,181</u>	<u>9,779,181</u>

Year Ending June 30,	Bond Issue of March 1, 2016 Series A			
	Interest Rates	Principal	Interest	Total
2017	2.800%	\$ 187,000	69,375	256,375
2018	2.800%	193,000	78,232	271,232
2019	2.800%	198,000	72,800	270,800
2020	2.800%	204,000	67,214	271,214
2021	2.800%	209,000	61,460	270,460
2022-2026	2.800%	1,138,000	215,446	1,353,446
2027-2030	2.800%	900,000	51,198	951,198
		<u>\$ 3,029,000</u>	<u>615,725</u>	<u>3,644,725</u>

Year Ending June 30,	Bond Issue of March 1, 2016 Series B			
	Interest Rates	Principal	Interest	Total
2017	2.800%	\$ 3,444,000	881,020	4,325,020
2018	2.800%	2,336,000	983,192	3,319,192
2019	2.800%	2,401,000	917,336	3,318,336
2020	2.800%	2,469,000	849,632	3,318,632
2021	2.800%	2,539,000	780,010	3,319,010
2022-2026	2.800%	14,256,000	2,772,742	17,028,742
2027-2030	2.800%	11,693,000	669,522	12,362,522
		<u>\$ 39,138,000</u>	<u>7,853,454</u>	<u>46,991,454</u>

Year Ending June 30,	Total Revenue Bonds		
	Principal	Interest	Total
2017	\$ 4,701,000	1,620,443	6,321,443
2018	3,634,000	1,697,972	5,331,972
2019	3,739,000	1,591,984	5,330,984
2020	3,848,000	1,482,794	5,330,794
2021	3,958,000	1,368,980	5,326,980
2022-2026	22,024,000	4,972,717	26,996,717
2027-2030	19,483,000	1,344,877	20,827,877
	<u>\$ 61,387,000</u>	<u>14,079,767</u>	<u>75,466,767</u>

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued March 1, 2010, March 1, 2012 and March 1, 2016. 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. For the current year, principal and interest paid on the bonds was \$5,295,123 and total statewide sales, services and use tax revenues were \$8,683,826.

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

- a) \$5,993,498 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The accrued interest on the revenue bond proceeds shall be placed into a sinking account. The balance of the proceeds shall be deposited to the project account.
- b) The District will make transfers from the statewide sales, services and use tax account and those proceeds shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Advance Refunding

On March 1, 2016, the District issued \$3,029,000 and \$39,138,000 of Revenue bonds with an interest rate of 2.8% to advance refund \$23,470,000 of outstanding Series 2010B bonds with an interest rate of 4.0 to 5.0% and \$16,095,000 of outstanding Series 2011 bonds with an interest rate of 3.5 to 5.0%. The net proceeds of \$41,759,674 (after payment of \$407,326 in underwritten fees, insurance and other issuance costs) plus an additional \$1,218,675 from Debt Service funds were used to purchase U.S. Government securities. The refunded bonds are considered defeased in-substance, and have been removed from the Government-wide Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,413,348. This difference, reported in the accompanying financial statements as a deferred amount on refunding, is being charged to operations through the year 2030 using the straight-line method. Amortization of the deferred amount was \$85,356 for the year ended June 30, 2016. The unamortized balance at June 30, 2016 was \$3,327,992. The District completed the advance refunding to reduce its total debt service payments over the next 13 years by approximately \$4,676,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$3,000,000.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

Bond Anticipation Note

On July 1, 2014, the District issued a Bond Anticipation Note (BAN). The District has pledged future statewide sales, services and use tax revenues to repay the BAN. The District anticipates the BAN will be paid in full at or prior to maturity, and no bonds will be issued related to this BAN.

Year Ending June 30,	Bond Anticipation Note of July 1, 2014			
	Interest Rates	Principal	Interest	Total
2017	1.485%	\$ 1,505,362	42,411	1,547,773
2018	1.485%	1,527,841	19,932	1,547,773
2019	1.485%	385,512	1,431	386,943
		\$ 3,418,715	63,774	3,482,489

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, 2016 QZAB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2017	2.600%	\$ --	33,750	33,750
2018	2.600%	--	33,750	33,750
2019	2.600%	--	33,750	33,750
2020	2.600%	--	33,750	33,750
2021	2.600%	--	33,750	33,750
2022-2025	2.600%	1,500,000	118,125	1,618,125
		\$ 1,500,000	286,875	1,786,875

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, 2016 QSCB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2017	2.600%	\$ --	146,900	146,900
2018	2.600%	--	146,900	146,900
2019	2.600%	--	146,900	146,900
2020	2.600%	--	146,900	146,900
2021	2.600%	--	146,900	146,900
2022-2026	2.600%	5,650,000	661,050	6,311,050
		\$ 5,650,000	1,395,550	7,045,550

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

(6) Pension and Retirement Benefits

Plan Description

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 membership is mandatory for employees of the District, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$5,912,865.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$44,047,484 for its proportionate share of the net pension liability. The District's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was .886009 percent, which was an increase of .052866 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,261,038. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 665,303	--
Changes of assumptions	1,212,738	--
Net difference between projected and actual earnings on pension plan investments	6,590,376	10,260,220
Changes in proportion and differences between District contributions and proportionate share of contributions	2,326,962	--
District contributions subsequent to the measurement date	<u>5,912,865</u>	<u>--</u>
Total	<u>\$ 16,708,244</u>	<u>10,260,220</u>

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

Deferred outflows of resources related to pensions included \$5,912,865 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>		
2017	\$	(678,045)
2018		(678,045)
2019		(678,045)
2020		2,406,111
2021		<u>163,183</u>
	\$	<u>535,159</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.0 percent per annum
Salary increases (effective June 30, 2010)	4.0 to 17.0 percent, average, including inflation. Rates vary by membership group
Investment rate of return (effective June 30, 1996)	7.5 percent per annum, compounded annually, net of pension plan investment expense, including inflation
Wage growth (effective June 30, 1990)	4.0 percent per annum, based on 3.0 percent inflation and 1.0 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	<u>1</u>	<u>(0.71)</u>
	<u>100%</u>	

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 77,119,220	44,047,484	16,132,566

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(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 949 active and 47 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 GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	352,411
Interest on net OPEB obligation		48,772
Adjustment to annual required contribution		(43,251)
Annual OPEB cost		<u>357,932</u>
Contributions made		(210,713)
Increase in net OPEB obligation		<u>147,219</u>
Net OPEB obligation, beginning of year		<u>1,083,821</u>
Net OPEB obligation, end of year	\$	<u><u>1,231,040</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. 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, 2016.

For the year ended June 30, 2016, the District contributed \$338,439 to the medical plan. Plan members receiving benefits contributed 100.0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 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, 2014	\$	650,369	59.5	952,083
June 30, 2015		341,302	61.4	1,083,821
June 30, 2016		357,932	58.9	1,231,040

Funding Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation for the period July 1, 2013 through June 30, 2016, the actuarial accrued liability was approximately \$3.308 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3.308 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$48.1 million, and the ratio of the UAAL to covered payroll was 6.9%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and 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.

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%, and is reduced each year until reaching the ultimate medical trend rate of 5%.

Mortality rates are from the RP2014 Combined Healthy Generational 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 liabilities:

Age	\$600 Deductible Claims	\$1,200 Deductible Claims	High Deductible Claims
45	\$ 6,605	6,312	6,293
50	7,710	7,372	7,371
55	9,234	8,831	8,853
60	11,161	10,679	10,731
64	12,761	12,215	12,290

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Additionally, the District offered an incentive to certain employees to elect to take early retirement from the District during the 2016 fiscal year. If the employees elected to take early retirement, funds were set aside for the benefit of the employee to pay health insurance premiums. The funds are available to the employees for the next seven years, or until the amount of the funds set aside for each employee have been spent. As of June 30, 2016, the District was liable for future payments to plan participants of \$406,001.

(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	\$ 724,161
Incurred claims	8,388,437
Payments	<u>(8,310,299)</u>
Incurred and unpaid claims, end of year	<u>\$ 802,299</u>

Council Bluffs Community School District

Notes to Basic Financial Statements June 30, 2016

(9) Categorical Funding

The District's ending fund balances for categorical funding by project as of and for the year ended June 30, 2016 are as follows:

<u>Project</u>	<u>Amount</u>
Early intervention	\$ 154,348
Teach salary supplement	149,732
Shared vision	128,184
Voluntary preschool	97,303
Early readers	35,224
At-risk	34,747
Reading recovery	21,479
Gifted and talented	15,062
	<u>\$ 636,079</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.

(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 \$4,040,318 for the year ended June 30, 2016.

(12) Construction Commitment

The District has entered into various contracts for projects within the District. As of June 30, 2016, costs of \$9,516,450 had been incurred against the contracts. The balance of \$2,547,405 remaining at June 30, 2016 will be incurred and paid as work on the projects progresses.

(13) Lease Commitments

The District has entered into a lease agreement for the use of various vehicles and buses for student transportation as well as administrative office space. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 649,500
2018	240,000
2019	240,000
2020	244,800
2021	249,696
2022-2024	779,460

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, 2016**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES						
Local sources	\$ 57,886,473	455,180	58,341,653	42,513,778	50,892,909	7,448,744
State sources	68,460,009	44,990	68,504,999	78,160,932	65,145,984	3,359,015
Federal sources	5,345,763	4,753,484	10,099,247	10,797,394	10,184,512	(85,265)
Total revenues	<u>131,692,245</u>	<u>5,253,654</u>	<u>136,945,899</u>	<u>131,472,104</u>	<u>126,223,405</u>	<u>10,722,494</u>
EXPENDITURES/EXPENSES						
Instruction	76,777,649	--	76,777,649	78,286,559	76,942,000	164,351
Support services	35,620,156	--	35,620,156	34,390,604	34,750,000	(870,156)
Non-instructional programs	--	5,012,031	5,012,031	5,000,000	5,150,000	137,969
Other expenditures	26,042,844	--	26,042,844	14,462,888	66,000,000	39,957,156
Total expenditures/expenses	<u>138,440,649</u>	<u>5,012,031</u>	<u>143,452,680</u>	<u>132,140,051</u>	<u>182,842,000</u>	<u>39,389,320</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(6,748,404)	241,623	(6,506,781)	(667,947)	(56,618,595)	(50,111,814)
OTHER FINANCING SOURCES (USES)						
Proceeds from bond issue	42,167,000	--	42,167,000	--	--	(42,167,000)
Payments to bond refunding escrow agent	<u>(42,978,349)</u>	<u>--</u>	<u>(42,978,349)</u>	<u>--</u>	<u>--</u>	<u>42,978,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES AND OTHER FINANCING SOURCES	(7,559,753)	241,623	(7,318,130)	(667,947)	(56,618,595)	(49,300,465)
BALANCES, Beginning of year	<u>35,777,374</u>	<u>889,822</u>	<u>38,752,944</u>	<u>36,338,804</u>	<u>36,338,804</u>	<u>(2,414,140)</u>
BALANCES, End of year	<u>\$ 28,217,621</u>	<u>1,131,445</u>	<u>32,246,163</u>	<u>35,670,857</u>	<u>(20,279,791)</u>	<u>(52,525,954)</u>

See accompanying independent auditor's report

Council Bluffs Community School District

Notes to Required Supplementary Information – Budgetary Reporting For the Year Ended June 30, 2016

This budgetary comparison schedule 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 functional 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 \$50,701,949.

During the year ended June 30, 2016, the District did not exceed its General Fund unspent authorized budget.

Council Bluffs Community School District

**Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2016**

	<u>2016</u>	<u>2015</u>
Iowa Public Employee's Retirement System Last Two Fiscal Years* (In Thousands)		
District's proportion of net pension liability	0.8860090%	0.8331430%
District's proportionate share of the net pension liability	\$ 44,047	33,718
District's covered-employee payroll	\$ 61,892	54,804
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.17%	61.52%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Council Bluffs Community School District

**Required Supplementary Information
Schedule of District Contributions
June 30, 2016**

Iowa Public Employee's Retirement System
Last Ten Fiscal Years
(In Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily required contribution	\$ 5,913	5,527	4,894	4,638	4,323	3,816	3,822	3,381	3,089	2,750
Contributions in relation to the statutorily required contribution	<u>(5,913)</u>	<u>(5,527)</u>	<u>(4,894)</u>	<u>(4,638)</u>	<u>(4,323)</u>	<u>(3,816)</u>	<u>(3,822)</u>	<u>(3,381)</u>	<u>(3,089)</u>	<u>(2,750)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>--</u>								
District's covered employee payroll	\$ 66,214	61,892	54,804	53,433	53,502	54,986	57,560	53,244	50,974	47,993
Contributions as a percentage of covered employee payroll	8.93%	8.93%	8.93%	8.68%	8.08%	6.94%	6.64%	6.35%	6.06%	5.73%

See accompanying independent auditor's report

Council Bluffs Community School District

Notes to Required Supplementary Information – Pension Liability June 30, 2016

Notes to Required Supplementary Information – Pension Liability

Changes of benefit terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements. Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Council Bluffs Community School District

**Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended June 30, 2016**

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)
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%
2015	7/1/2014	--	3,308	3,308	0.0%	48,105	6.9%
2016	7/1/2014	--	3,452	3,452	0.0%	51,035	6.8%

See accompanying independent auditor's report

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

Council Bluffs Community School District

**Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	Special Revenue		
	Student Activity Funds	Management Levy Fund	Total
ASSETS			
Cash, cash equivalents and pooled investments	\$ 269,468	2,553,263	2,822,731
Receivables:			
Property tax:			
Succeeding year	--	1,449,996	1,449,996
Accounts	--	28,245	28,245
Total assets	<u>\$ 269,468</u>	<u>4,031,504</u>	<u>4,300,972</u>
LIABILITIES			
Accounts payable	\$ 51,523	342	51,865
Accrued expenses	2,687	--	2,687
Total liabilities	<u>54,210</u>	<u>342</u>	<u>54,552</u>
DEFERRED INFLOWS OF RESOURCES			
Succeeding year property tax	--	1,449,996	1,449,996
FUND BALANCES			
Restricted for:			
Management levy purposes	--	2,581,166	2,581,166
Student activities	215,258	--	215,258
Total fund balances	<u>215,258</u>	<u>2,581,166</u>	<u>2,796,424</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 269,468</u>	<u>4,031,504</u>	<u>4,300,972</u>

See accompanying independent auditor's report

Council Bluffs Community School District

**Supplementary Information
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds
For the Year Ended June 30, 2016**

	Special Revenue		
	Student Activity Funds	Management Levy Fund	Total
REVENUES			
Local sources:			
Local tax	\$ --	1,795,435	1,795,435
Other	912,694	--	912,694
State sources	--	82,115	82,115
Total revenues	<u>912,694</u>	<u>1,877,550</u>	<u>2,790,244</u>
EXPENDITURES			
Current			
Instruction:			
Other instruction	972,858	--	972,858
	<u>972,858</u>	<u>--</u>	<u>972,858</u>
Support services:			
Instructional staff services	8,084	--	8,084
Administration services	59	23,301	23,360
Operation and maintenance of plant services	1,252	1,194,378	1,195,630
Transportation services	11,052	--	11,052
	<u>20,447</u>	<u>1,217,679</u>	<u>1,238,126</u>
Total expenditures	<u>993,305</u>	<u>1,217,679</u>	<u>2,210,984</u>
CHANGE IN FUND BALANCE	(80,611)	659,871	579,260
FUND BALANCES, BEGINNING OF YEAR	<u>295,869</u>	<u>1,921,295</u>	<u>2,217,164</u>
FUND BALANCES, END OF YEAR	<u>\$ 215,258</u>	<u>2,581,166</u>	<u>2,796,424</u>

See accompanying independent auditor's report

Council Bluffs Community School District

**Supplementary Information
Combining Balance Sheet
Capital Project Funds
June 30, 2016**

	Capital Projects			
	Statewide Sales, Services and Use Tax Fund	Physical Plant and Equipment Levy Fund	Stadium Fund	Total
ASSETS				
Cash, cash equivalents and pooled investments	\$ 3,013,987	2,288,465	666,812	5,969,264
Receivables				
Property tax:				
Succeeding year	--	3,614,129	--	3,614,129
Accounts	1,426,401	55,736	--	1,482,137
Other funds	--	118,892	--	118,892
Total assets	<u>\$ 4,440,388</u>	<u>6,077,222</u>	<u>666,812</u>	<u>11,184,422</u>
LIABILITIES				
Liabilities				
Accounts payable	\$ 900	239,026	1,334,080	1,574,006
Retainage payable	--	--	358,796	358,796
Accrued expenses	--	--	98	98
Total liabilities	<u>900</u>	<u>239,026</u>	<u>1,692,974</u>	<u>1,932,900</u>
DEFERRED INFLOWS OF RESOURCES				
Succeeding year property tax	--	3,614,129	--	3,614,129
FUND BALANCES				
Restricted for:				
School infrastructure	4,439,488	--	--	4,439,488
Physical plant and equipment	--	2,224,067	(1,026,162)	1,197,905
Total fund balances	<u>4,439,488</u>	<u>2,224,067</u>	<u>(1,026,162)</u>	<u>5,637,393</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,440,388</u>	<u>6,077,222</u>	<u>666,812</u>	<u>11,184,422</u>

See accompanying independent auditor's report

Council Bluffs Community School District

Supplementary Information Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Project Funds For the Year Ended June 30, 2016

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Stadium Fund	
REVENUES				
Local sources:				
Local tax	\$ 8,683,826	2,129,703	--	10,813,529
Other	1,057	343,683	7,382,556	7,727,296
State sources	--	89,145	--	89,145
Total revenues	<u>8,684,883</u>	<u>2,562,531</u>	<u>7,382,556</u>	<u>18,629,970</u>
EXPENDITURES				
Current				
Instruction:				
Regular instruction	<u>632,738</u>	<u>75,053</u>	<u>--</u>	<u>707,791</u>
Support services:				
Instructional staff services	--	119,146	--	119,146
Administration services	--	254,424	--	254,424
Operation and maintenance of plant services	4,776	636,171	--	640,947
Transportation services	--	409,950	--	409,950
	<u>4,776</u>	<u>1,419,691</u>	<u>--</u>	<u>1,424,467</u>
Other expenditures:				
Facilities acquisition	<u>703,464</u>	<u>1,614,970</u>	<u>12,122,633</u>	<u>14,441,067</u>
Total expenditures	<u>1,340,978</u>	<u>3,109,714</u>	<u>12,122,633</u>	<u>16,573,325</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,343,905</u>	<u>(547,183)</u>	<u>(4,740,077)</u>	<u>2,056,645</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issue	3,029,000	--	--	3,029,000
Transfers in (out)	(10,566,476)	--	3,029,000	(7,537,476)
Total other financing sources and uses	<u>(7,537,476)</u>	<u>--</u>	<u>3,029,000</u>	<u>(4,508,476)</u>
CHANGE IN FUND BALANCE	(193,571)	(547,183)	(1,711,077)	(2,451,831)
FUND BALANCES, BEGINNING OF YEAR	<u>4,633,059</u>	<u>2,771,250</u>	<u>684,915</u>	<u>8,089,224</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,439,488</u>	<u>2,224,067</u>	<u>(1,026,162)</u>	<u>5,637,393</u>

See accompanying independent auditor's report

Council Bluffs Community School District

**Supplementary Information
 Schedule of Changes in Special Revenue Fund – Student Activity Funds
 For the Year Ended June 30, 2016**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bloomer	\$ 1,791	5,747	6,485	1,053
Carter Lake	11,707	7,098	11,175	7,630
College View	760	5,590	1,160	5,190
Crescent	7,539	406	316	7,629
Edison	(1,609)	7,014	3,309	2,096
Franklin	12,010	2,396	10,278	4,128
Hoover	4,186	6,936	5,241	5,881
Lewis & Clark	11,453	3,847	3,776	11,524
Longfellow	19,567	--	2,991	16,576
Roosevelt	7,965	3,450	2,784	8,631
Rue	6,183	--	--	6,183
Walnut Grove	4,386	--	--	4,386
Kirn JHS	33,953	72,147	84,273	21,827
Woodrow Wilson JHS	55,604	108,638	100,755	63,487
Tucker Center	4,093	7,825	5,093	6,825
Thomas Jefferson SHS	(18,632)	293,606	354,895	(79,921)
Abraham Lincoln SHS	124,769	387,994	400,774	111,989
Kanesville AHS	10,144	--	--	10,144
	<u>\$ 295,869</u>	<u>912,694</u>	<u>993,305</u>	<u>215,258</u>

See accompanying independent auditor's report

Council Bluffs Community School District

Supplementary Information

**Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds
For the Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and cash equivalents	\$ 138,783	190,911	216,409	113,285
Total assets	<u>\$ 138,783</u>	<u>190,911</u>	<u>216,409</u>	<u>113,285</u>
LIABILITIES				
Accounts payable	\$ 8,114	8,664	8,114	8,664
Due to other governments	130,669	182,247	208,295	104,621
Total liabilities	<u>\$ 138,783</u>	<u>190,911</u>	<u>216,409</u>	<u>113,285</u>

See accompanying independent auditor's report

Council Bluffs Community School District

Supplementary Information Schedule of Revenues by Source and Expenditures by Function All Governmental Funds For the Year Ended June 30, 2016

	Modified Accrual Basis									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES:										
Local sources:										
Local tax	\$ 43,238,410	44,181,757	42,564,152	42,421,544	45,325,106	44,479,263	39,049,297	37,586,234	34,307,204	33,800,638
Tuition	3,111,592	2,980,020	2,712,434	2,335,207	2,777,515	2,192,571	2,246,918	1,871,096	1,157,712	1,001,119
Other	11,536,471	4,606,014	5,651,958	5,236,703	6,556,766	4,786,297	4,254,559	4,054,384	6,119,926	5,364,504
State sources	68,460,009	64,465,411	59,383,774	57,386,553	55,525,497	54,955,848	47,060,916	53,221,318	52,207,460	48,469,877
Federal sources	5,345,763	5,209,908	5,954,736	5,772,683	7,369,888	6,702,964	10,344,768	5,545,158	4,145,583	5,027,629
Total Revenues	<u>131,692,245</u>	<u>121,443,110</u>	<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>
EXPENDITURES:										
Instruction:										
Regular instruction	38,316,380	37,638,119	35,487,624	36,537,506	33,131,109	32,567,873	34,086,154	35,654,436	35,657,047	30,386,159
Special instruction	35,036,446	34,556,075	31,250,302	28,628,797	29,276,353	31,085,908	27,812,408	15,480,975	12,469,039	18,280,727
Other Instruction	3,424,823	3,854,800	3,503,366	3,842,876	3,887,216	4,500,693	4,737,108	11,706,642	8,651,760	4,984,498
Support services:										
Student services	4,525,022	2,590,784	3,104,599	2,881,955	2,829,534	2,542,273	2,558,412	3,675,037	3,453,440	4,465,882
Instructional staff services	4,766,189	5,643,280	2,379,699	2,393,281	3,463,196	1,363,587	1,991,979	1,187,846	1,118,647	1,138,998
Administration services	12,774,696	12,396,728	12,372,695	11,867,856	11,275,283	11,345,682	11,711,387	11,970,092	10,059,458	9,430,215
Operation and maintenance of plant services	9,653,140	7,946,294	9,176,788	7,412,240	7,647,550	7,795,108	8,349,843	8,389,631	7,202,071	7,335,816
Transportation services	3,901,109	3,670,708	3,488,486	3,350,459	3,038,034	3,042,152	2,830,114	2,626,647	2,474,717	2,337,870
Non-instructional programs	--	--	--	--	--	--	--	3,844	5,993	3,272
Other expenditures:										
Facilities acquisition	14,441,067	10,029,827	3,583,145	8,227,957	12,168,670	39,262,078	24,107,373	19,862,198	14,154,164	8,549,845
Long-term debt:										
Principal	4,768,213	4,803,071	3,635,000	3,495,000	1,000,000	1,000,000	1,000,000	840,000	785,000	767,766
Interest and fiscal charges	2,793,246	2,926,614	2,919,818	2,976,221	2,813,716	1,947,050	475,576	325,437	336,448	362,989
AEA flowthrough	4,040,318	3,894,362	3,695,117	3,554,916	3,542,694	3,936,375	3,769,834	3,394,994	3,186,427	3,022,000
Total Expenditures	<u>\$ 138,440,649</u>	<u>129,950,662</u>	<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>

See accompanying independent auditor's report

Council Bluffs Community School District

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the State of Iowa Department of Education:			
Title I	84.010		\$ 2,006,053
Title I - carryover	84.010		202,468
Total Title I			<u>2,208,521</u>
Passed through the State of Iowa Department of Education:			
Vocational Education - Basic Grants to States	84.048		123,587
Safe and Drug-Free Schools and Communities	84.184		4,627
Title IIA - Federal Teacher Quality Program	84.367		404,989
Title III - English Language Acquisition State Grants	84.365	16ELA-10	118,110
Twenty-First Century Community Learning Centers	84.287	CT10-CBL/C9-CBL	494,092
Grants for State Assessments and Related Activities	84.369		34,328
Total passed through the State of Iowa Department of Education			<u>1,179,733</u>
Passed through Green Hills Area Education Agency:			
IDEA, Part B	84.027		<u>502,777</u>
Total U.S. DEPARTMENT OF EDUCATION			<u>3,891,031</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the State of Iowa Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555		3,181,344
Food Distribution - Child Nutrition Act (non-cash)	10.555		315,239
Summer Food Service Program for Children	10.559		196,050
Passed through the State of Iowa Department of Human Services:			
School Breakfast Program	10.553		810,293
Total Child Nutrition Cluster			<u>4,502,926</u>
Passed through the State of Iowa Department of Education:			
Fresh Fruit and Vegetable Program	10.582		205,270
Nutritional Education and Training Program	10.564		45,288
Total U.S. DEPARTMENT OF AGRICULTURE			<u>4,753,484</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the State of Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	CT041916	<u>397</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,644,912</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, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements for Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Pass Through Awards

The District receives certain federal awards in the form of pass-through awards from the State of Iowa. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards. Pass-through entity identifying numbers are presented where available.

Note 4. Indirect Cost Rate

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Education of
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 (the District) as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 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.

District's Responses to Findings

The District's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 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,
December 9, 2016.

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

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 (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

Management of the 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 the 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 the Uniform Guidance, 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 the 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 first paragraph of this section 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SEIM JOHNSON, LLP

Omaha, Nebraska,
December 9, 2016.

Council Bluffs Community School District

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiency(ies) identified? _____ Yes x None Reported

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiency(ies) identified? x _____ Yes _____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes x No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies (Title, Part A of ESEA)
10.582	Fresh Fruit and Vegetable Program

Dollar threshold used to distinguish between type A and type B programs _____ \$750,000 _____

Auditee qualified as low-risk auditee? x _____ Yes _____ No

II. FINANCIAL STATEMENT FINDINGS

None noted.

Council Bluffs Community School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Item 2016-001: Significant Deficiency

Federal Program:	U.S. Department of Education passed through Iowa Department of Education CFDA # 84.010 Title I Grants to Local Education Agencies (Title I, Part A of ESEA).
Criteria:	Amounts charged to the grant award must be supported by detailed documentation of expenditures sufficient to meet Uniform Guidance standards.
Condition:	Certain amounts were charged to the grant award via general journal entries and were not appropriately supported by detailed documentation of expenditures.
Questioned Costs:	\$-0-
Context:	During audit fieldwork procedures, it was determined that certain amounts charged to the grant award were made by general journal entries and lacked detailed supporting documentation of the charges.
Effect:	An adjusting journal entry was required to appropriately state federal expenditures related to the grant award.
Cause:	Management submitted the final reimbursement request for the fiscal year based on estimated activity, rather than actual costs incurred for the grant award.
Recommendation:	We recommend that management develop a process to reconcile reimbursement claims to general ledger activity prior to submitting claims for reimbursement to ensure that appropriate amounts are charged to the grant award.
Views of Responsible Officials and Planned Corrective Action:	Management is aware of this deficiency in internal control and is in the process of developing procedures and processes to reconcile the general ledger activity to reimbursement claim submissions to avoid this occurring in the future.
Conclusion:	Response accepted.

Council Bluffs Community School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Part IV: Other Findings Related to Statutory Reporting:

IV-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 exceeded the amended certified budget amounts in the support services functions.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response Accepted.

IV-B-16 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-16 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-16 Business Transactions

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

IV-E-16 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-16 Board Minutes

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

IV-G-16 Certified Enrollment

Comment – We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 as resident students was overstated by 4.0 students.

Recommendation – The District should contact the Iowa Department of Education and the Iowa 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-16 Supplemental Weighting

Comment – We noted a variance in the supplemental weighting certified to the Department of Education. The supplemental weighting was understated by 0.12 students.

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

Council Bluffs Community School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

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

Conclusion – Response accepted.

IV-I-16 Deposits and Investments

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

IV-J-16 Certified Annual Report

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

IV-K-16 Categorical Funding

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

IV-L-16 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, 2016, 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			\$	4,633,059
Revenues/transfers in:				
Sales tax revenues	\$	8,683,826		
Other local revenues		1,057		
Proceeds from Bond Anticipation Note		<u>3,029,000</u>		<u>11,713,883</u>
				<u>16,346,942</u>
Expenditures/transfers out:				
School infrastructure construction		1,340,978		
Transfer to the Stadium Fund		3,029,000		
Transfer to the Debt Service Fund		<u>7,537,476</u>		<u>11,907,454</u>
Ending balance			\$	<u>4,439,488</u>

For the year ended June 30, 2016, 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 Taxable Valuation		Property Tax Dollars Reduced
Ending balance	\$	3.48	\$	7,537,476

Council Bluffs Community School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

IV-M-16 Revenue Bonds

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

IV-N-16 Deficit Balances

One student activity account had a deficit balance at June 30, 2016.

Recommendation

The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response

The District is continuing to investigate alternatives to eliminate the deficit in the student activity account at the end of the fiscal year.

Conclusion

Response accepted.

Council Bluffs Community School District

Audit Staff For the Year Ended June 30, 2016

This audit was performed by:

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