

**Council Bluffs Community School District**  
Council Bluffs, Iowa

**Financial Statements and  
Supplementary Information  
June 30, 2019**

**Together with Independent Auditor's Report**

# Council Bluffs Community School District

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# Council Bluffs Community School District

## Officials

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<u>Officials</u>	<u>Board of Education</u>	<u>Term Expires</u>
Dave Coziahr	President	2019
Chris LaFerla	Vice President	2019
Troy Arthur	Board Member	2019
Bill Grove	Board Member	2019
Dr. Jill Ogg-Gress	Board Member	2021
Kyle McGlade	Board Member	2021
John Minshall	Board Member	2021

### School Officials

Dr. Vickie Murillo	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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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, 2019, 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 that the Management's Discussion and Analysis on pages 4 through 12, the Budgetary Comparison Information, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions and Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 42 through 47 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 the District's basic financial statements. The financial statements for the four years ended June 30, 2013 (which are not presented herein) were audited by other auditors, who expressed unmodified opinions on those financial statements. The supplementary information included on pages 48 through 56, 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 November 12, 2019 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 solely 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 effectiveness of the District's 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,  
November 12, 2019.

# Council Bluffs Community School District

## Management's Discussion and Analysis

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The Council Bluffs Community School District provides this Management's Discussion and Analysis of its financial statements. The narrative overview and analysis of financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2019 Financial Overview

- General Fund revenues increased from \$117,281,857 in fiscal 2018 to \$119,201,367 in fiscal 2019. The increase in General Fund revenues was attributed to an increase in state aid. General Fund expenditures increased from \$117,312,800 in fiscal 2018 to \$118,641,067 in fiscal 2019, primarily due to increases in instructional costs. The difference between fiscal 2019 revenues and expenditures resulted in a net surplus \$660,300. As a result, the District's General Fund balance increased from \$10,310,031 in fiscal 2018 to \$10,970,331 in fiscal 2019, which represents a 6.40% increase from the prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues-AEA Flow-through) increased from 8.37% at June 30, 2018, to 8.69% at June 30, 2019. 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:

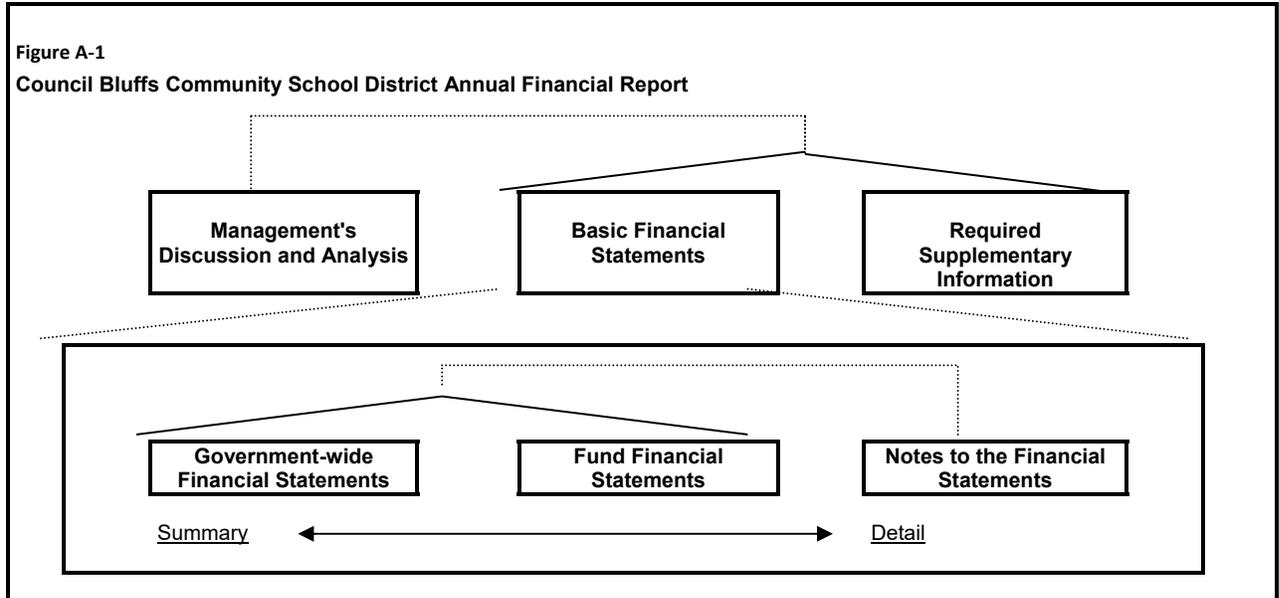
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about 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

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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"> <li>Statement of Position</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Revenues, Expenses and Changes in Net Position</li> <li>Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Fiduciary Net Position</li> <li>Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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

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### 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 – is 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 the District's programs.

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

# Council Bluffs Community School District

## Management's Discussion and Analysis

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

1. *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide 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 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, 2019 compared to June 30, 2018.

Figure A-3  
Statement of Net Position

	Governmental Activities		Business-type Activities		Total School District		% Change 2018-2019
	June 30,		June 30,		June 30,		
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 117,396,354	89,041,721	2,426,817	2,182,214	119,823,171	91,223,935	31.35%
Capital assets	129,889,549	128,412,043	140,013	186,152	130,029,562	128,598,195	1.11%
<b>Total assets</b>	<b>247,285,903</b>	<b>217,453,764</b>	<b>2,566,830</b>	<b>2,368,366</b>	<b>249,852,733</b>	<b>219,822,130</b>	<b>13.66%</b>
<b>Deferred outflows</b>	<b>19,642,457</b>	<b>22,322,540</b>	<b>377,990</b>	<b>745,356</b>	<b>20,020,447</b>	<b>23,067,896</b>	<b>100%</b>
<b>Total assets and deferred outflows</b>	<b>266,928,360</b>	<b>239,776,304</b>	<b>2,944,820</b>	<b>3,113,722</b>	<b>269,873,180</b>	<b>242,890,026</b>	<b>11.11%</b>
<b>Liabilities</b>	<b>172,762,171</b>	<b>143,845,042</b>	<b>1,899,946</b>	<b>1,902,313</b>	<b>174,662,117</b>	<b>145,747,355</b>	<b>19.84%</b>
<b>Deferred inflows</b>	<b>41,737,190</b>	<b>38,809,980</b>	<b>114,997</b>	<b>183,971</b>	<b>41,852,187</b>	<b>38,993,951</b>	<b>7.33%</b>
<b>Net position:</b>							
Net investment in capital assets	42,096,203	69,123,043	140,013	186,152	42,236,216	69,309,195	-39.06%
Restricted	17,390,283	15,418,482	--	--	17,390,283	15,418,482	12.79%
Unrestricted	(7,057,487)	(27,420,243)	789,864	841,286	(6,267,623)	(26,578,957)	76.42%
<b>Total net position</b>	<b>52,428,999</b>	<b>57,121,282</b>	<b>929,877</b>	<b>1,027,438</b>	<b>53,358,876</b>	<b>58,148,720</b>	<b>-8.24%</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 266,928,360</b>	<b>239,776,304</b>	<b>2,944,820</b>	<b>3,113,722</b>	<b>269,873,180</b>	<b>242,890,026</b>	<b>11.11%</b>

The District's combined net position decreased 8.24% over the prior year due to renovations and debt service related to the middle school renovation during 2019. Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how funds can be used. The District's restricted net position increased 12.79% compared to last year, primarily a result of debt obligations and capital project costs.

Unrestricted net position – the part of net position used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased 76.42% due to results from GASB 68-Accounting and Financial Reporting for Pensions.

# 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, 2019 compared to the year ended June 30, 2018.

**Figure A-4**  
Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total School District		% Change 2018-2019
	June 30,		June 30,		June 30,		
	2019	2018	2019	2018	2019	2018	
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 4,392,011	3,946,964	178,042	425,805	4,570,053	4,372,769	4.51%
Operating grants, contributions and restricted interest	25,853,111	26,012,729	5,348,314	4,937,340	31,201,425	30,950,069	0.81%
Capital grants, contributions, and restricted interest	870,120	1,868,965	--	--	870,120	1,868,965	-53.44%
<b>General revenue:</b>							
Property and other tax	37,408,834	35,705,002	--	--	37,408,834	35,705,002	4.77%
Statewide sales, services and use tax	9,365,463	8,618,676	--	--	9,365,463	8,618,676	8.66%
Unrestricted state grants	57,847,788	57,594,015	--	--	57,847,788	57,594,015	0.44%
Other	402,284	273,902	--	--	402,284	273,902	46.87%
<b>Total revenues</b>	<b>136,139,611</b>	<b>134,020,253</b>	<b>5,526,356</b>	<b>5,363,145</b>	<b>141,665,967</b>	<b>139,383,398</b>	<b>1.64%</b>
<b>Program expenditures by Governmental Activities</b>							
Instruction	80,696,098	82,506,173	--	--	80,696,098	82,506,173	-2.19%
Support services	44,018,831	37,665,908	--	--	44,018,831	37,665,908	16.87%
Non-instructional programs	--	--	5,623,917	5,180,440	5,623,917	5,180,440	8.56%
Other expenses	16,116,965	16,289,373	--	--	16,116,965	16,289,373	-1.06%
<b>Total expenses</b>	<b>140,831,894</b>	<b>136,461,454</b>	<b>5,623,917</b>	<b>5,180,440</b>	<b>146,455,811</b>	<b>141,641,894</b>	<b>3.40%</b>
<b>Change in net position</b>	<b>(4,692,283)</b>	<b>(2,441,201)</b>	<b>(97,561)</b>	<b>182,705</b>	<b>(4,789,844)</b>	<b>(2,258,496)</b>	<b>112.08%</b>
Beginning Net Position	57,121,282	59,562,483	1,027,438	844,733	58,148,720	60,407,216	-3.74%
<b>Ending Net Position</b>	<b>\$ 52,428,999</b>	<b>57,121,282</b>	<b>929,877</b>	<b>1,027,438</b>	<b>53,358,876</b>	<b>58,148,720</b>	<b>-8.24%</b>

In fiscal 2019, property tax, statewide sales, service and use tax and unrestricted state grants account for 76.85% compared to 76.05% in fiscal 2018 of revenue from governmental activities, while charges for services and operating grants and contributions account for 100% of the revenue from business-type activities.

As shown in Figure A-4, the District as a whole experienced a 1.64% increase in FY19 revenues compared to a 1.79% increase in FY18, and a 3.40% increase in FY19 expenditures compared to a 3.64% increase in FY18 expenses.

### Governmental Activities

Revenues for governmental activities were \$136,139,611 and expenses were \$140,831,894 for the year ended June 30, 2019. The District levied a cash reserve levy and minimized increases in expenditures to show an increase in the District's solvency ratio.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2019 compared to the year ended June 30, 2018.

**Figure A-5**  
Total and Net Cost of Governmental Activities

	Total Cost			Net Cost		
	June 30,			June 30,		
	2019	2018	% Change	2019	2018	% Change
Instruction	80,696,098	82,506,173	-2.19%	55,204,231	53,520,970	3.15%
Support services	44,018,831	37,665,908	16.87%	43,796,783	36,533,705	19.88%
Other expenses	16,116,965	16,289,373	-1.06%	10,715,638	8,965,890	19.52%
<b>Totals</b>	<b>140,831,894</b>	<b>136,461,454</b>	<b>3.20%</b>	<b>109,716,652</b>	<b>99,020,565</b>	<b>10.80%</b>

- The cost financed by users of the District's programs was \$4,392,011.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$25,853,111.

# Council Bluffs Community School District

## Management's Discussion and Analysis

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- The net cost of governmental activities was financed with \$37,408,834 in property tax, \$9,365,463 in statewide sales, services and use tax, \$57,847,788 in unrestricted state grants, \$245,054 in interest income, and \$157,230 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$5,526,356 and expenses were \$5,623,917. 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 eleven 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 \$52,534,056 for 2019 and \$25,432,091 for 2018. The increase was attributable to the issuance of new debt in fiscal 2019.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the product of many factors. Revenues increased from FY18 attributable to a greater increase in state aid.
- The Debt Service Fund balance increased from FY 2018 due to new debt issued during FY 2019.
- Capital Project Fund balance increased from fiscal 2018 due to the issuance of new debt related to the Middle School renovation project.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased 9.5% from \$1,027,438 at June 30, 2018 to \$929,877 at June 30, 2019, due to adjustments for GASB 68.

### **Budgetary Highlights**

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, 2019, the District had invested \$130.0 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 5 to the financial statements. Depreciation expense for the year was \$10.1 million.

The original cost of the District's capital assets was \$234.8 million. Governmental funds account for \$234.0 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 the middle school renovation project.

**Figure A-6**  
Capital Asset Summary

	Governmental Activities		Business Activities		Total School District		% Change 2018-2019
	June 30,		June 30,		June 30,		
	2019	2018	2019	2018	2019	2018	
Land	4,352,694	3,960,545	--	--	4,352,694	3,960,545	9.90%
Construction in progress	7,846,923	1,291,153	--	--	7,846,923	1,291,153	507.75%
Buildings & land improvements	116,033,345	121,065,091	--	--	116,033,345	121,065,091	-4.16%
Furniture & equipment	1,656,587	2,095,254	140,013	186,152	1,796,600	2,281,406	-21.25%
<b>Totals</b>	<b>129,889,549</b>	<b>128,412,043</b>	<b>140,013</b>	<b>186,152</b>	<b>130,029,562</b>	<b>128,598,195</b>	<b>1.11%</b>

### Long-Term Debt

At June 30, 2019, the District had \$151.7 million in outstanding long-term debt. This represents an increase of 20.4% from the prior year related to the middle school renovation project.

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

	2019	2018	% Change 2018-2019
General obligation bonds	27,500,000	--	100.0%
Premium on general obligation bonds	955,346	--	100.0%
Revenue Bonds	52,188,000	52,139,000	0.1%
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	193,304	157,601	22.7%
Net OPEB Liability	7,050,849	6,567,955	7.4%
Net pension liability	58,552,550	59,976,062	-2.4%
<b>Totals</b>	<b>153,590,049</b>	<b>125,990,618</b>	<b>21.9%</b>

### 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 usually sets changes in school funding three to four months prior to the start of the fiscal year.
- The levels of state and federal funding for education are not keeping pace with the increases in cost and mandated growth. The District received 1.00% increase in state funding for the year ended June 30, 2019. Although the District's financial position is currently stable, small increases in future state aid will negatively affect future District finances.
- Costs associated with special education continue rising as more students are identified as requiring additional services. The special education deficit for 2019 was \$1.89 million compared to a deficit in 2018 of \$2.3 million.
- Unfunded mandates at the state or federal level.
- The District experienced an enrollment decrease in FY 2018 of 132 students, and a decrease of 71 students for FY 2019.
- Fixed costs are anticipated to increase regarding routine maintenance and utilities.

# **Council Bluffs Community School District**

## **Management's Discussion and Analysis**

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### **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, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents and pooled investments	\$ 43,053,763	2,256,228	45,309,991
Receivables:			
Property tax:			
Delinquent	507,526	--	507,526
Succeeding year	38,596,443	--	38,596,443
Accounts	5,832,702	51,841	5,884,543
Due from other funds	61,516	--	61,516
Inventories	57,157	113,724	170,881
Prepaid expenses	230,897	5,024	235,921
Investments	29,056,350	--	29,056,350
Capital assets, net of accumulated depreciation	129,889,549	140,013	130,029,562
Total assets	247,285,903	2,566,830	249,852,733
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred gain on refunding	3,164,061	--	3,164,061
Pension related deferred outflows	16,478,396	377,990	16,856,386
Total deferred outflows of resources	19,642,457	377,990	20,020,447
Total assets and deferred outflows of resources	\$ 266,928,360	2,944,820	269,873,180
<b>LIABILITIES</b>			
Accounts payable	\$ 6,390,504	190,220	6,580,724
Salaries and benefits payable	12,617,881	264,120	12,882,001
Accrued expenses	41,735	--	41,735
Accrued interest payable	909,897	--	909,897
Current portion of long-term debt	4,612,000	--	4,612,000
Incurred and unpaid claims	657,711	--	657,711
Compensated absences	184,544	8,760	193,304
Long-term debt, net of current portion	83,181,346	--	83,181,346
Other post employment benefits	6,671,428	379,421	7,050,849
Net pension liability	57,495,125	1,057,425	58,552,550
Total liabilities	172,762,171	1,899,946	174,662,117
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Succeeding year property tax	38,596,443	--	38,596,443
Advances from grantors	--	29,794	29,794
OPEB related deferred inflows	277,581	16,151	293,732
Pension related deferred inflows	2,863,166	69,052	2,932,218
Total deferred inflows of resources	41,737,190	114,997	41,852,187
<b>NET POSITION</b>			
Net investment in capital assets	42,096,203	140,013	42,236,216
Restricted for:			
Categorical funding	698,971	--	698,971
Debt service	6,485,738	--	6,485,738
Management levy purposes	2,186,401	--	2,186,401
Student activities	447,889	--	447,889
School infrastructure	4,935,223	--	4,935,223
Physical plant and equipment	2,636,061	--	2,636,061
Unrestricted	(7,057,487)	789,864	(6,267,623)
Total net position	52,428,999	929,877	53,358,876
Total liabilities, deferred inflows of resources and net position	\$ 266,928,360	2,944,820	269,873,180

See accompanying notes to the financial statements

# Council Bluffs Community School District

## Statement of Activities For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) 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
<b>Governmental activities:</b>							
Instruction:							
Regular instruction	\$ 79,281,883	3,100,263	21,129,323	--	(55,052,297)	--	(55,052,297)
Other instruction	1,414,215	1,148,192	114,089	--	(151,934)	--	(151,934)
	<u>80,696,098</u>	<u>4,248,455</u>	<u>21,243,412</u>	<u>--</u>	<u>(55,204,231)</u>	<u>--</u>	<u>(55,204,231)</u>
Support services:							
Student services	5,478,974	--	--	--	(5,478,974)	--	(5,478,974)
Instructional staff services	5,190,702	--	--	--	(5,190,702)	--	(5,190,702)
Administration services	16,915,727	--	--	--	(16,915,727)	--	(16,915,727)
Operation and maintenance of plant	10,681,930	143,268	--	--	(10,538,662)	--	(10,538,662)
Transportation services	5,751,498	288	78,492	--	(5,672,718)	--	(5,672,718)
	<u>44,018,831</u>	<u>143,556</u>	<u>78,492</u>	<u>--</u>	<u>(43,796,783)</u>	<u>--</u>	<u>(43,796,783)</u>
Other expenditures:							
Facilities acquisition	(85,260)	--	--	870,120	955,380	--	955,380
Long-term debt interest	2,269,762	--	190,860	--	(2,078,902)	--	(2,078,902)
AEA flowthrough	4,340,347	--	4,340,347	--	--	--	--
Depreciation (unallocated)*	9,592,116	--	--	--	(9,592,116)	--	(9,592,116)
	<u>16,116,965</u>	<u>--</u>	<u>4,531,207</u>	<u>870,120</u>	<u>(10,715,638)</u>	<u>--</u>	<u>(10,715,638)</u>
Total governmental activities	140,831,894	4,392,011	25,853,111	870,120	(109,716,652)	--	(109,716,652)
<b>Business type activities:</b>							
Non-instructional programs:							
Food service operations	5,623,917	178,042	5,348,314	--	--	(97,561)	(97,561)
Total primary government	<u>\$ 146,455,811</u>	<u>4,570,053</u>	<u>31,201,425</u>	<u>870,120</u>	<u>(109,716,652)</u>	<u>(97,561)</u>	<u>(109,814,213)</u>
<b>General revenues</b>							
Property and other tax levied for:							
General purposes					\$ 33,610,265	--	33,610,265
Capital outlay					3,798,569	--	3,798,569
Statewide sales, services and use tax					9,365,463	--	9,365,463
Unrestricted state grants					57,847,788	--	57,847,788
Unrestricted investment earnings					245,054	--	245,054
Other					157,230	--	157,230
Total general revenues					<u>105,024,369</u>	<u>--</u>	<u>105,024,369</u>
Change in net position					(4,692,283)	(97,561)	(4,789,844)
Net position, beginning of year					<u>57,121,282</u>	<u>1,027,438</u>	<u>58,148,720</u>
Net position, end of year					<u>\$ 52,428,999</u>	<u>929,877</u>	<u>53,358,876</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, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, cash equivalents and pooled investments	\$ 21,536,904	7,323,982	7,395,635	2,654,251	38,910,772
Receivables:					
Property tax:					
Delinquent	439,300	50,872	--	17,354	507,526
Succeeding year	31,998,284	3,941,244	1,156,908	1,500,007	38,596,443
Accounts	4,954,232	742,685	--	3,678	5,700,595
Investments	--	26,044,281	--	--	26,044,281
Due from other funds	440,319	--	--	--	440,319
Inventories	57,157	--	--	--	57,157
Prepaid expenses	228,881	--	--	2,016	230,897
Total assets	<u>\$ 59,655,077</u>	<u>38,103,064</u>	<u>8,552,543</u>	<u>4,177,306</u>	<u>110,487,990</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,164,361	2,249,217	--	39,454	6,453,032
Due to other funds	--	378,803	--	--	378,803
Salaries and benefits payable	12,483,921	--	--	--	12,483,921
Accrued expenses	38,180	--	--	3,555	41,735
Total liabilities	<u>16,686,462</u>	<u>2,628,020</u>	<u>--</u>	<u>43,009</u>	<u>19,357,491</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues:					
Succeeding year property tax	31,998,284	3,941,244	1,156,908	1,500,007	38,596,443
Total deferred inflows of resources	<u>31,998,284</u>	<u>3,941,244</u>	<u>1,156,908</u>	<u>1,500,007</u>	<u>38,596,443</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	57,157	--	--	--	57,157
Prepaid items	228,881	--	--	--	228,881
Restricted for:					
Categorical funding	698,971	--	--	--	698,971
Debt service	--	--	7,395,635	--	7,395,635
School infrastructure	--	28,897,739	--	--	28,897,739
Physical plant and equipment	--	2,636,061	--	--	2,636,061
Management levy purposes	--	--	--	2,186,401	2,186,401
Student activities	--	--	--	447,889	447,889
Unassigned	9,985,322	--	--	--	9,985,322
Total fund balances	<u>10,970,331</u>	<u>31,533,800</u>	<u>7,395,635</u>	<u>2,634,290</u>	<u>52,534,056</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,655,077</u>	<u>38,103,064</u>	<u>8,552,543</u>	<u>4,177,306</u>	<u>110,487,990</u>
<b>RECONCILIATION</b>					
Total fund balances - governmental funds					\$ 52,534,056
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.					129,889,549
Long-term liabilities, including long-term debt, compensated absences payable, other post employment benefits payable and net pension liability are not due and payable in the current period and therefore are not reported in the funds.					(152,144,443)
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.					(909,897)
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				19,642,457	
Deferred inflows of resources				(3,140,747)	16,501,710
Internal service funds are used by management to charge the costs of certain activities, such as insurance and vehicles to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.					6,558,024
Net position - governmental activities					<u>\$ 52,428,999</u>

See accompanying notes to the financial statements

# Council Bluffs Community School District

## Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources:					
Local tax	\$ 32,335,411	13,164,032	--	1,274,854	46,774,297
Tuition	3,032,774	--	--	--	3,032,774
Other	2,923,761	870,120	190,860	1,154,430	5,139,171
State sources	73,715,860	135,852	--	48,096	73,899,808
Federal sources	7,193,561	--	--	--	7,193,561
Total revenues	<u>119,201,367</u>	<u>14,170,004</u>	<u>190,860</u>	<u>2,477,380</u>	<u>136,039,611</u>
<b>EXPENDITURES</b>					
Current					
Instruction:					
Regular instruction	77,783,788	847,609	--	131,360	78,762,757
Other instruction	89,055	--	--	973,085	1,062,140
	<u>77,872,843</u>	<u>847,609</u>	<u>--</u>	<u>1,104,445</u>	<u>79,824,897</u>
Support services:					
Student services	5,241,539	10,426	--	21,450	5,273,415
Instructional staff services	4,973,208	--	--	17,179	4,990,387
Administration services	13,023,575	3,305,996	--	65,369	16,394,940
Operation and maintenance of plant services	8,365,309	1,046,434	--	1,094,748	10,506,491
Transportation services	4,824,246	898,052	--	4,380	5,726,678
	<u>36,427,877</u>	<u>5,260,908</u>	<u>--</u>	<u>1,203,126</u>	<u>42,891,911</u>
Other expenditures:					
Facilities acquisition	--	8,638,085	--	--	8,638,085
Long-term debt:					
Principal	--	--	3,975,000	--	3,975,000
Interest and fiscal charges	--	310,835	1,543,945	--	1,854,780
AEA flowthrough	4,340,347	--	--	--	4,340,347
	<u>4,340,347</u>	<u>8,948,920</u>	<u>5,518,945</u>	<u>--</u>	<u>18,808,212</u>
Total expenditures	<u>118,641,067</u>	<u>15,057,437</u>	<u>5,518,945</u>	<u>2,307,571</u>	<u>141,525,020</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>560,300</u>	<u>(887,433)</u>	<u>(5,328,085)</u>	<u>169,809</u>	<u>(5,485,409)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bond issue	--	31,524,000	--	--	31,524,000
Premiums on bond issue	--	963,374	--	--	963,374
Transfers in (out)	100,000	(6,349,460)	6,349,460	--	100,000
Total other financing sources and uses	<u>100,000</u>	<u>26,137,914</u>	<u>6,349,460</u>	<u>--</u>	<u>32,587,374</u>
CHANGE IN FUND BALANCES	660,300	25,250,481	1,021,375	169,809	27,101,965
FUND BALANCES, BEGINNING OF YEAR	<u>10,310,031</u>	<u>6,283,319</u>	<u>6,374,260</u>	<u>2,464,481</u>	<u>25,432,091</u>
FUND BALANCES, END OF YEAR	<u>\$ 10,970,331</u>	<u>31,533,800</u>	<u>7,395,635</u>	<u>2,634,290</u>	<u>52,534,056</u>
<b>RECONCILIATION</b>					
Net change in fund balances - total governmental funds					\$ 27,101,965
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.					(1,116,262)
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.					1,477,506
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.					(2,751,928)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position.					3,975,000
Bond proceeds provide current financial resources to governmental funds but issuing debt increases long term liabilities in the statement of net position.					(32,487,374)
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.					(891,190)
Change in net position - governmental activities					\$ <u>(4,692,283)</u>

See accompanying notes to the financial statements

# Council Bluffs Community School District

## Statement of Net Position – Proprietary Funds June 30, 2019

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Enterprise	School Nutrition	Internal Service Employee Health
<b>ASSETS</b>			
Current assets:			
Cash, cash equivalents and pooled investments	\$	2,256,228	4,142,991
Accounts receivable		51,841	197,914
Inventories		113,724	--
Prepaid expenses		5,024	--
Investments		--	3,012,069
Total current assets		2,426,817	7,352,974
Noncurrent assets:			
Capital assets, net of accumulated depreciation		140,013	--
Total assets		2,566,830	7,352,974
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows		377,990	--
Total assets and deferred outflows of resources	\$	2,944,820	7,352,974
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$	190,220	3,279
Salaries and benefits payable		264,120	133,960
Incurred and unpaid claims		--	657,711
Compensated absences		8,760	--
Other post employment benefits		379,421	--
Total current liabilities		842,521	794,950
Long-term liabilities:			
Net pension liability		1,057,425	--
Total liabilities		1,899,946	794,950
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advances from grantors		29,794	--
OPEB related deferred inflows		16,151	--
Pension related deferred inflows		69,052	--
Total deferred inflows of resources		114,997	--
<b>NET POSITION</b>			
Net investment in capital assets		140,013	--
Unrestricted		789,864	6,558,024
Total net position		929,877	6,558,024
Total liabilities, deferred inflows of resources, and net position	\$	2,944,820	7,352,974

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, 2019

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Enterprise	School Nutrition	Internal Service Employee Health
OPERATING REVENUES			
Local sources:			
Charges for services	\$	178,042	9,479,741
OPERATING EXPENSES			
Support services:			
Administration services		--	10,829,059
Non-instructional programs:			
Food service operations:			
Salaries		1,653,360	--
Benefits		938,734	--
Purchased services		20,610	--
Supplies		2,856,987	--
Miscellaneous		31	--
Depreciation		54,195	--
Total operating expenses		5,523,917	10,829,059
OPERATING LOSS		(5,345,875)	(1,349,318)
NON-OPERATING REVENUES:			
State sources		45,580	--
Federal sources		5,282,542	--
Other		20,192	233,056
Total non-operating revenues		5,348,314	233,056
OTHER FINANCING USES			
Transfers out		(100,000)	--
CHANGE IN NET POSITION		(97,561)	(1,116,262)
NET POSITION, BEGINNING OF YEAR		1,027,438	7,674,286
NET POSITION, END OF YEAR	\$	929,877	6,558,024

See accompanying notes to the financial statements

# Council Bluffs Community School District

## Statement of Cash Flows – Proprietary Funds For the Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds	Governmental Activities
	Enterprise	Internal Service
	School Nutrition	Employee Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from user charges	\$ 208,194	10,301,185
Payments to employees	(1,669,878)	--
Payments of employee benefits	(555,972)	(10,769)
Payments to suppliers for goods and services	(2,852,288)	(10,925,287)
Net cash used in operating activities	<u>(4,869,944)</u>	<u>(634,871)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State subsidies received	45,580	--
Federal subsidies received	5,282,542	--
Transfers to other funds	(100,000)	--
Other nonoperating receipts (payments)	(90,221)	233,056
Net cash provided by noncapital financing activities	<u>5,137,901</u>	<u>233,056</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits to investments	--	(3,012,069)
Net cash used in investing activities	<u>--</u>	<u>(3,012,069)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(8,056)	--
Net cash used in capital and related financing activities	<u>(8,056)</u>	<u>--</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS</b>	259,901	(3,413,884)
<b>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS, BEGINNING OF YEAR</b>	<u>1,996,327</u>	<u>7,556,875</u>
<b>CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS, END OF YEAR</b>	<u>\$ 2,256,228</u>	<u>4,142,991</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (5,345,875)	(1,349,318)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	54,195	--
Decrease in accounts receivable	30,152	821,444
Increase in prepaid expenses	(5,024)	--
Increase in inventories	(9,830)	--
Decrease in deferred outflows of resources	367,366	--
Increase (decrease) in accounts payable	40,194	(115,299)
Decrease in salaries and benefits payable	(9,733)	(10,769)
Increase in incurred and unpaid claims	--	19,071
Increase in other post employment benefits	28,052	--
Decrease in net pension liability	(60,880)	--
Increase in deferred inflows of resources	41,439	--
Net cash used in operating activities	<u>\$ (4,869,944)</u>	<u>(634,871)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
During the year ended June 30, 2019 the District received \$394,817 of federal commodities		

See accompanying notes to the financial statements

**Council Bluffs Community School District**

**Statement of Fiduciary Net Position – Fiduciary Funds**  
**June 30, 2019**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Due from other governments	\$ <u>77,397</u>
Total assets	<u><u>77,397</u></u>
<b>LIABILITIES</b>	
Accounts payable	15,881
Interfund loan payable	<u>61,516</u>
Total liabilities	<u><u>\$ 77,397</u></u>

*See accompanying notes to the financial statements*

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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### (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's 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 provide 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, 2019

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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 funds:

The Enterprise, School Nutrition 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 do 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, 2019

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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 is 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, 2019

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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 recognized, 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax levy contained in the budget certified to the County Board of Supervisors in April 2018.

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, 2019

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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, 2019. 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 - Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 consist of unspent grant proceeds as well as succeeding year property tax receivable, other receivables not collected within sixty days after year end, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and unrecognized items not yet charged to other post employment benefit expense.

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* - 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, 2019, the District had no committed fund balance.

*Assigned* - 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, 2019, 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, 2019

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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. Total Other Post Employment Benefits (OPEB)*

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

*I. Recent Accounting Pronouncements*

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The standard implements a single approach to accounting for leases. Lessees will be required to recognize a lease liability, measured at the present value of expected payments net of incentives, and an intangible right-to-use asset for all leases with terms of greater than 12 months. As payments are made, lessees will reduce the liability and recognize interest expense. Lease terms will include options to extend or terminate leases if it is reasonably certain that those options will be exercised. The standard will be effective for reporting periods beginning after December 15, 2020 (fiscal year ending June 30, 2022) with earlier application permitted. The District is currently evaluating the effect the new standard will have on the financial statements.

*J. Subsequent Events*

The District considered events occurring through November 12, 2019 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

### (2) Cash, Cash Equivalents and Pooled Investments

The District's bank deposits at June 30, 2019 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 ensure 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.

#### 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, 2019:

	<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	\$ 18,766,635	18,766,635	--	--
U.S. Government and Treasury obligations	4,498,452	--	4,498,452	--
	<u>\$ 23,265,087</u>	<u>18,766,635</u>	<u>4,498,452</u>	<u>--</u>

### (3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency	\$ <u>61,516</u>

The Agency Fund is repaying the General Fund for a loan for cash flow purposes as receipts did not match when payments on invoices were due. The balance was paid in full in September 2019.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

### (4) Interfund Transfers

The detail of interfund transfers at June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Debt Service Fund	Capital Projects Fund	\$ 6,349,460
General Fund	Nutrition Fund	100,000
		<u>\$ 6,449,460</u>

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

### (5) Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,960,545	392,149	--	4,352,694
Construction in progress	1,291,153	8,290,130	1,734,360	7,846,923
Total capital assets not being depreciated	<u>5,251,698</u>	<u>8,682,279</u>	<u>1,734,360</u>	<u>12,199,617</u>
Capital assets being depreciated:				
Buildings and land improvements	210,393,335	3,680,357	--	214,073,692
Furniture and equipment	6,783,724	922,634	--	7,706,358
Total capital assets being depreciated	<u>217,177,059</u>	<u>4,602,991</u>	<u>--</u>	<u>221,780,050</u>
Less accumulated depreciation for:				
Buildings and land improvements	89,328,244	8,712,103	--	98,040,347
Furniture and equipment	4,688,470	1,361,301	--	6,049,771
Total accumulated depreciation	<u>94,016,714</u>	<u>10,073,404</u>	<u>--</u>	<u>104,090,118</u>
Total capital assets being depreciated, net	<u>123,160,345</u>	<u>(5,470,413)</u>	<u>--</u>	<u>117,689,932</u>
Governmental activities capital assets, net	<u>\$ 128,412,043</u>	<u>3,211,866</u>	<u>1,734,360</u>	<u>129,889,549</u>
<b>Business-type activities</b>				
Furniture and equipment	\$ 774,689	8,056	--	782,745
Less accumulated depreciation	<u>588,537</u>	<u>54,195</u>	<u>--</u>	<u>642,732</u>
Business-type activities capital assets, net	<u>\$ 186,152</u>	<u>(46,139)</u>	<u>--</u>	<u>140,013</u>

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Other		\$	352,076
Support services:			
Operation and maintenance of plant			79,214
Transportation			49,998
			<u>481,288</u>
Unallocated			<u>9,592,116</u>
			<u>10,073,404</u>
Total depreciation expense - governmental activities		\$	<u>10,073,404</u>
Business-type activities:			
Nutrition services		\$	<u>54,195</u>

The District has entered into various construction contracts totaling approximately \$43,000,000 for renovations and improvements at District facilities. At June 30, 2019, costs of approximately \$7,900,000 have been incurred related to these projects. The remaining balance of approximately \$35,100,000 will be paid as work on the projects progresses.

### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ --	27,500,000	--	27,500,000	255,000
Premium on general obligation bonds	--	963,374	8,028	955,346	--
Revenue bonds	52,139,000	4,024,000	3,975,000	52,188,000	4,357,000
Quality zone academy bonds	1,500,000	--	--	1,500,000	--
Qualified school construction bonds	5,650,000	--	--	5,650,000	--
Compensated absences	155,626	184,544	155,626	184,544	184,544
OPEB liability	6,216,586	454,842	--	6,671,428	--
Net pension liability	58,857,757	--	1,362,632	57,495,125	--
Total	\$ <u>124,518,969</u>	<u>33,126,760</u>	<u>5,501,286</u>	<u>152,144,443</u>	<u>4,796,544</u>
Business-type activities					
Compensated liabilities	\$ 1,975	8,760	1,975	8,760	8,760
OPEB liability	351,369	36,747	8,695	379,421	--
Net pension liability	1,118,305	--	60,880	1,057,425	--
Total	\$ <u>1,471,649</u>	<u>45,507</u>	<u>71,550</u>	<u>1,445,606</u>	<u>8,760</u>

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

Details of the District's June 30, 2019 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2019			
	Interest Rates	Principal	Interest	Total
2020	2.190%	\$ 255,000	906,000	1,161,000
2021	2.190%	--	898,350	898,350
2022	2.190%	--	898,350	898,350
2023	2.190%	--	898,350	898,350
2024	2.190%	--	898,350	898,350
Thereafter	2.190%	27,245,000	9,295,100	36,540,100
		<u>\$ 27,500,000</u>	<u>13,794,500</u>	<u>41,294,500</u>

Details of the District's June 30, 2019 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of March 1, 2016 Series A			
	Interest Rates	Principal	Interest	Total
2020	2.800%	204,000	67,214	271,214
2021	2.800%	209,000	61,460	270,460
2022	2.800%	215,000	55,566	270,566
2023	2.800%	221,000	49,504	270,504
2024	2.800%	228,000	43,274	271,274
Thereafter	2.800%	1,374,000	118,300	1,492,300
		<u>\$ 2,451,000</u>	<u>395,318</u>	<u>2,846,318</u>

Year Ending June 30,	Bond Issue of March 1, 2016 Series B			
	Interest Rates	Principal	Interest	Total
2020	2.800%	\$ 2,469,000	849,632	3,318,632
2021	2.800%	2,539,000	780,010	3,319,010
2022	2.800%	2,610,000	708,428	3,318,428
2023	2.800%	2,684,000	634,830	3,318,830
2024	2.800%	2,847,000	559,160	3,406,160
Thereafter	2.800%	17,808,000	1,539,846	19,347,846
		<u>\$ 30,957,000</u>	<u>5,071,906</u>	<u>36,028,906</u>

**Council Bluffs Community School District**

**Notes to Basic Financial Statements  
June 30, 2019**

Year Ending June 30,	Bond Issue of October 24, 2017 Series A			
	Interest Rates	Principal	Interest	Total
2020	2.190%	\$ 856,000	188,439	1,044,439
2021	2.190%	748,000	170,886	918,886
2022	2.190%	818,000	154,548	972,548
2023	2.190%	864,000	135,758	999,758
2024	2.190%	829,000	117,275	946,275
Thereafter	2.190%	4,732,000	293,077	5,025,077
		<u>\$ 8,847,000</u>	<u>1,059,983</u>	<u>9,906,983</u>

Year Ending June 30,	Bond Issue of December 12, 2017 Series B			
	Interest Rates	Principal	Interest	Total
2020	2.190%	\$ 541,000	127,305	668,305
2021	2.190%	659,000	114,066	773,066
2022	2.190%	630,000	99,393	729,393
2023	2.190%	629,000	86,166	715,166
2024	2.190%	681,000	71,821	752,821
Thereafter	2.190%	2,769,000	144,595	2,913,595
		<u>\$ 5,909,000</u>	<u>643,346</u>	<u>6,552,346</u>

Year Ending June 30,	Bond Issue of March 3, 2019 Series 2019			
	Interest Rates	Principal	Interest	Total
2020	2.190%	\$ 382,000	104,987	486,987
2021	2.190%	800,000	112,109	912,109
2022	2.190%	839,000	85,540	924,540
2023	2.190%	833,000	58,370	891,370
2024	2.190%	792,000	31,021	823,021
Thereafter	2.190%	378,000	6,143	384,143
		<u>\$ 4,024,000</u>	<u>398,170</u>	<u>4,422,170</u>

Year Ending June 30,	Total Revenue Bonds		
	Principal	Interest	Total
2020	\$ 4,452,000	1,337,577	5,789,577
2021	4,955,000	1,238,531	6,193,531
2022	5,112,000	1,103,475	6,215,475
2023	5,231,000	964,628	6,195,628
2024	5,377,000	822,551	6,199,551
Thereafter	27,061,000	2,101,961	29,162,961
	<u>\$ 52,188,000</u>	<u>7,568,723</u>	<u>59,756,723</u>

## Council Bluffs Community School District

### Notes to Basic Financial Statements June 30, 2019

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The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued March 1, 2016, October 24, 2017, December 12, 2017 and March 3, 2019. 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 \$3,589,136 and total statewide sales, services and use tax revenues were \$9,365,463.

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

- a) Certain 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 Refundings

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 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 outflow of resources, is being charged to operations through the year 2030 using the straight-line method. Amortization of the deferred amount was \$256,065 for the year ended June 30, 2019. The unamortized balance at June 30, 2019 was \$2,559,798.

On October 24, 2017, the District issued \$9,544,000 of Revenue bonds with an interest rate of 2.19% to advance refund \$9,900,000 of outstanding Series 2010A bonds with an interest rate of 3.0 to 4.75%. The net proceeds of \$9,451,442 (after payment of \$92,558 in underwriter fees, insurance and other issuance costs) plus an additional \$1,070,429 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 \$621,871. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight line method. Amortization of the deferred amount was \$36,050 for the year ended June 30, 2019. The unamortized balance at June 30, 2019 was \$531,741. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$2,100,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$1,800,000.

## Council Bluffs Community School District

### Notes to Basic Financial Statements June 30, 2019

On December 12, 2017, the District issued \$6,588,000 of Revenue bonds with an interest rate of 2.19% to advance refund \$7,145,000 of outstanding Series 2012 bonds with an interest rate of 2.0 to 3.0%. The net proceeds of \$6,526,134 (after payment of \$61,866 in underwriter fees, insurance and other issuance costs) plus an additional \$702,839 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 \$83,972. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight line method. Amortization of the deferred amount was \$7,634 for the year ended June 30, 2019. The unamortized balance at June 30, 2019 was \$72,522. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$1,000,000 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$787,000.

#### Quality Zone Academy Bonds

On November 24, 2009, the District issued Quality Zone Academy Bonds (QZAB) which are held by Security Bank of Kansas City. Annual transfers from the Capital Projects Fund to a debt sinking fund will be made to pay the indebtedness due July 1, 2024 of \$1,500,000. Details of the District's June 30, 2019 QZAB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2020	2.600%	\$ --	33,750	33,750
2021	2.600%	--	33,750	33,750
2022	2.600%	--	33,750	33,750
2023	2.600%	--	33,750	33,750
2024	2.600%	--	33,750	33,750
Thereafter	2.600%	1,500,000	16,875	1,516,875
		\$ 1,500,000	185,625	1,685,625

#### 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, 2019 QSCB bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of November 24, 2009			
	Interest Rates	Principal	Interest	Total
2020	2.600%	\$ --	146,900	146,900
2021	2.600%	--	146,900	146,900
2022	2.600%	--	146,900	146,900
2023	2.600%	--	146,900	146,900
2024	2.600%	--	146,900	146,900
Thereafter	2.600%	5,650,000	220,350	5,870,350
		\$ 5,650,000	954,850	6,604,850

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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### (7) 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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.

#### Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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 2019, pursuant to the required rate, regular members contributed 6.29 percent of covered payroll and the District contributed 9.44 percent of covered payroll for a total rate of 15.73 percent.

The District's contributions to IPERS for the year ended June 30, 2019 were \$6,210,074.

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

At June 30, 2019, the District reported a liability of \$58,552,550 for its proportionate share of the net pension liability. The District's net pension liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.925548 percent, which was an increase of 0.017053 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$9,791,244. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 321,033	1,323,381
Changes of assumptions	8,352,884	--
Net difference between projected and actual earnings on pension plan investments	--	1,608,837
Changes in proportion and differences between District contributions and proportionate share of contributions	1,972,395	--
District contributions subsequent to the measurement date	<u>6,210,074</u>	<u>--</u>
Total	<u>\$ 16,856,386</u>	<u>2,932,218</u>

Deferred outflows of resources related to pensions included \$6,210,074 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>		
2020	\$	4,948,952
2021		2,623,391
2022		(99,479)
2023		222,828
2024		<u>18,402</u>
	\$	<u>7,714,094</u>

There were no non-employer contributing entities at IPERS.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

### Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Salary increases (effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation. Rates vary by membership group
Investment rate of return (effective June 30, 2017)	7.0 percent per annum, compounded annually, net of pension plan investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25 percent per annum, based on 2.60 percent inflation and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated March 24, 2017, and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.0 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.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

### 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 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
District's proportionate share of the net pension liability	\$ 99,375,443	58,552,550	24,308,210

### 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](http://www.ipers.org).

## (8) 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. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or retirees currently participating in the OPEB plan	40
Active employees	<u>1,086</u>
Total	<u>1,126</u>

Total OPEB Liability – The District's total OPEB liability of \$6,474,681 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal level percent of pay cost method, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.75 percent per annum
Salary increases (effective June 30, 2017)	3.25 percent, average, including inflation. Rates vary by membership group
Discount rate (effective June 30, 2018)	3.62 percent per annum
Healthcare cost trend rate (effective June 30, 2018)	6.90 percent for the year ending June 30, 2019, gradually decreasing to an ultimate rate of 4.40 percent for years ending June 30, 2075 and beyond.

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

**Discount Rate** – The discount rate used to measure the total OPEB liability was 3.62% which reflects the Fidelity 20-year Municipal GO AA Index as of the measurement date.

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 actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

**Changes in the Total OPEB Liability**

Total OPEB liability, beginning of year, as restated	\$ <u>5,991,412</u>
Changes during the year:	
Service cost	544,271
Interest	228,103
Changes in assumptions	(32,531)
Benefit payments	<u>(256,574)</u>
Net changes	<u>483,269</u>
Total OPEB liability, end of year	\$ <u><u>6,474,681</u></u>

Changes in assumptions reflect the following changes:

- Discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including adjustment to reflect the impact of the Affordable Care Act's excise tax on high-cost health insurance plans.

**Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate** – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.62%) or 1% higher (4.62%) than the current discount rate.

	<b>1% Decrease (2.62%)</b>	<b>Discount Rate (3.62%)</b>	<b>1% Increase (4.62%)</b>
Total OPEB liability	\$ <u>7,035,040</u>	<u>6,474,681</u>	<u>5,953,666</u>

**Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.9%) or 1% higher (7.9%) than the current healthcare cost trend rates.

	<b>1% Decrease (5.9%)</b>	<b>Discount Rate (6.9%)</b>	<b>1% Increase (7.9%)</b>
Total OPEB liability	\$ <u>5,633,852</u>	<u>6,474,681</u>	<u>7,488,792</u>

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the District recognized OPEB expense of \$737,143. At June 30, 2019, the District reported deferred inflows of resources related to OPEB of \$293,732 from changes in assumptions used in the actuarial valuation.

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>		
2020	\$	(35,231)
2021		(35,231)
2022		(35,231)
2023		(35,231)
2024		(35,231)
Thereafter		<u>(117,577)</u>
	\$	<u><u>(293,732)</u></u>

Additionally, the District offered an incentive to certain employees to elect to take early retirement from the District during the 2019, 2017 and 2016 fiscal years. 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, 2019, the District was liable for future payments to plan participants of \$576,168.

### (9) 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 \$160,000 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 that can be reasonably estimated. Change in the Fund's claims liability amount is shown below.

Incurring and unpaid claims, beginning of year	\$ 638,640
Incurring claims	6,981,572
Payments	<u>(6,962,501)</u>
Incurring and unpaid claims, end of year	<u><u>\$ 657,711</u></u>

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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### (10) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The District's ending fund balances for categorical funding by project as of and for the year ended June 30, 2019 are as follows:

<u>Project</u>	<u>Amount</u>
Teacher salary supplement	\$ 174,359
Restricted funds	108,213
Gifted and talented	101,162
Voluntary preschool	91,776
Core curriculum	77,559
Early readers	76,459
Educator quality	52,045
Reading recovery	9,420
Empowerment professional development	7,978
	<u>\$ 698,971</u>

### (11) Risk Management

The 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.

### (12) 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 \$4,340,347 for the year ended June 30, 2019.

### (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>
2020	\$ 1,219,800
2021	1,224,696
2022	1,229,688
2023	259,788
2024	264,984

# Council Bluffs Community School District

## Notes to Basic Financial Statements June 30, 2019

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### (14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### *Tax Abatements of Other Entities*

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Council Bluffs	Tax Increment Financing	\$ 1,165,986
City of Carter Lake	Tax Increment Financing	\$ 104,744

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2019, this reimbursement amounted to \$496,472.

**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, 2019**

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
<b>REVENUES</b>						
Local sources	\$ 54,946,242	198,234	55,144,476	52,368,623	52,368,623	2,775,853
State sources	73,899,808	45,580	73,945,388	73,573,166	73,573,166	372,222
Federal sources	7,193,561	5,282,542	12,476,103	12,883,370	12,883,370	(407,267)
Total revenues	<u>136,039,611</u>	<u>5,526,356</u>	<u>141,565,967</u>	<u>138,825,159</u>	<u>138,825,159</u>	<u>2,740,808</u>
<b>EXPENDITURES/EXPENSES</b>						
Instruction	79,824,897	--	79,824,897	80,138,000	80,138,000	313,103
Support services	42,891,911	--	42,891,911	38,947,500	38,947,500	(3,944,411)
Non-instructional programs	--	5,523,917	5,523,917	4,900,000	4,900,000	(623,917)
Other expenditures	18,808,212	--	18,808,212	14,641,013	19,491,013	682,801
Total expenditures/expenses	<u>141,525,020</u>	<u>5,523,917</u>	<u>147,048,937</u>	<u>138,626,513</u>	<u>143,476,513</u>	<u>(3,572,424)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES</b>	(5,485,409)	2,439	(5,482,970)	198,646	(4,651,354)	831,616
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from bond issue	31,524,000	--	31,524,000	--	--	(31,524,000)
Payments to bond refunding escrow agent	963,374	--	963,374	--	--	(963,374)
Transfers in (out)	100,000	(100,000)	--	--	--	--
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES AND OTHER FINANCING SOURCES (USES)</b>	27,101,965	(97,561)	27,004,404	198,646	(4,651,354)	(31,655,758)
<b>BALANCES, Beginning of year</b>	<u>25,432,091</u>	<u>1,027,438</u>	<u>26,459,529</u>	<u>26,459,529</u>	<u>26,459,529</u>	<u>--</u>
<b>BALANCES, End of year</b>	<u>\$ 52,534,056</u>	<u>929,877</u>	<u>53,463,933</u>	<u>26,658,175</u>	<u>21,808,175</u>	<u>(31,655,758)</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, 2019**

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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 ended June 30, 2019, expenditures in the support services and non-instructional functions exceeded the amounts budgeted. 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, 2019

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Iowa Public Employee's Retirement System  
Last Five Fiscal Years\*  
(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.9255480%	0.9084950%	0.9045870%	0.8860090%	0.8331430%
District's proportionate share of the net pension liability	\$ 58,553	59,976	56,412	44,047	33,718
District's covered-employee payroll	\$ 74,377	68,935	66,214	61,892	548,074
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	78.72%	87.00%	85.20%	71.17%	61.52%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

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

*See accompanying independent auditor's report*

**Council Bluffs Community School District**

**Required Supplementary Information  
Schedule of District Contributions  
June 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 6,210	6,642	6,156	5,913	5,527	4,894	4,638	4,323	3,816	3,822
Contributions in relation to the statutorily required contribution	<u>(6,210)</u>	<u>(6,642)</u>	<u>(6,156)</u>	<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>
Contribution deficiency (excess)	\$ <u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
District's covered employee payroll	\$ 65,784	74,377	68,935	66,214	61,892	54,804	53,433	53,502	54,986	57,560
Contributions as a percentage of covered employee payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.68%	8.08%	6.94%	6.64%

*See accompanying independent auditor's report*

## Council Bluffs Community School District

### Required Supplementary Information Notes to Required Supplementary Information – Pension Liability For the Year Ended June 30, 2019

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#### Notes to Required Supplementary Information – Pension Liability

##### Changes of benefit terms

Legislation enacted 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

##### Changes of assumptions

The 2018 valuation implemented the following refinements as a demographic assumption study dated June 28, 2018.

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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, 2014. 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.

## Council Bluffs Community School District

### Required Supplementary Information

### Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes For the Year Ended June 30, 2019

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	<u>2019</u>
Service cost	\$ 544,271
Interest cost	228,103
Changes in assumptions	(32,531)
Benefit payments	<u>(256,574)</u>
Net change in total OPEB liability	483,269
Total OPEB liability, beginning of year	<u>5,991,412</u>
Total OPEB liability, end of year	<u>\$ 6,474,681</u>
Covered employee payroll	\$ 68,000,000
Total OPEB liability as a percentage of covered employee payroll	9.52%

### Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in assumptions reflect the following changes:

- Discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including adjustment to reflect the impact of the Affordable Care Act's excise tax on high-cost health insurance plans.

**Council Bluffs Community School District**

**Supplementary Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019**

	Special Revenue		
	Student Activity Funds	Management Levy Fund	Total
<b>ASSETS</b>			
Cash, cash equivalents and pooled investments	\$ 479,978	2,174,273	2,654,251
Receivables:			
Property tax:			
Delinquent	--	17,354	17,354
Succeeding year	--	1,500,007	1,500,007
Accounts	3,678	--	3,678
Prepaid expenses	--	2,016	2,016
Total assets	<u>\$ 483,656</u>	<u>3,693,650</u>	<u>4,177,306</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 32,212	7,242	39,454
Accrued expenses	3,555	--	3,555
Total liabilities	<u>35,767</u>	<u>7,242</u>	<u>43,009</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Succeeding year property tax	--	1,500,007	1,500,007
<b>FUND BALANCES</b>			
Restricted for:			
Management levy purposes	--	2,186,401	2,186,401
Student activities	447,889	--	447,889
Total fund balances	<u>447,889</u>	<u>2,186,401</u>	<u>2,634,290</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 483,656</u>	<u>3,693,650</u>	<u>4,177,306</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, 2019

	Special Revenue		
	Student Activity Funds	Management Levy Fund	Total
<b>REVENUES</b>			
Local sources:			
Local tax	\$ --	1,274,854	1,274,854
Other	1,148,192	6,238	1,154,430
State sources	--	48,096	48,096
Total revenues	<u>1,148,192</u>	<u>1,329,188</u>	<u>2,477,380</u>
<b>EXPENDITURES</b>			
Current			
Instruction:			
Regular instruction	718	130,642	131,360
Other instruction	973,085	--	973,085
	<u>973,803</u>	<u>130,642</u>	<u>1,104,445</u>
Support services:			
Student services	--	21,450	21,450
Instructional staff services	10,029	7,150	17,179
Administration services	--	65,369	65,369
Operation and maintenance of plant services	--	1,094,748	1,094,748
Transportation services	4,380	--	4,380
	<u>14,409</u>	<u>1,188,717</u>	<u>1,203,126</u>
Total expenditures	<u>988,212</u>	<u>1,319,359</u>	<u>2,307,571</u>
CHANGE IN FUND BALANCES	159,980	9,829	169,809
FUND BALANCES, BEGINNING OF YEAR	<u>287,909</u>	<u>2,176,572</u>	<u>2,464,481</u>
FUND BALANCES, END OF YEAR	<u>\$ 447,889</u>	<u>2,186,401</u>	<u>2,634,290</u>

*See accompanying independent auditor's report*

**Council Bluffs Community School District**

**Supplementary Information  
Combining Balance Sheet  
Capital Projects Fund  
June 30, 2019**

	Capital Projects			
	Statewide Sales, Services and Use Tax Fund	Physical Plant and Equipment Levy Fund	Middle School Remodel Fund	Total
<b>ASSETS</b>				
Cash, cash equivalents and pooled investments	\$ 4,539,771	2,784,211	--	7,323,982
Receivables				
Property tax:				
Delinquent	--	50,872	--	50,872
Succeeding year	--	3,941,244	--	3,941,244
Accounts	742,685	--	--	742,685
Investments	--	--	26,044,281	26,044,281
Total assets	<u>\$ 5,282,456</u>	<u>6,776,327</u>	<u>26,044,281</u>	<u>38,103,064</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 347,233	199,022	1,702,962	2,249,217
Interfund loan payable	--	--	378,803	378,803
Total liabilities	<u>347,233</u>	<u>199,022</u>	<u>2,081,765</u>	<u>2,628,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Succeeding year property tax	--	3,941,244	--	3,941,244
<b>FUND BALANCES</b>				
Restricted for:				
School infrastructure	4,935,223	--	23,962,516	28,897,739
Physical plant and equipment	--	2,636,061	--	2,636,061
Total fund balances	<u>4,935,223</u>	<u>2,636,061</u>	<u>23,962,516</u>	<u>31,533,800</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,282,456</u>	<u>6,776,327</u>	<u>26,044,281</u>	<u>38,103,064</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 Projects Fund For the Year Ended June 30, 2019

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Middle School Remodel Fund	Total
<b>REVENUES</b>				
Local sources:				
Local tax	\$ 9,365,463	3,798,569	--	13,164,032
Other	635,145	190,694	44,281	870,120
State sources	--	135,852	--	135,852
Total revenues	<u>10,000,608</u>	<u>4,125,115</u>	<u>44,281</u>	<u>14,170,004</u>
<b>EXPENDITURES</b>				
Current				
Instruction:				
Regular instruction	<u>809,309</u>	<u>38,300</u>	<u>--</u>	<u>847,609</u>
Support services:				
Student services	--	--	10,426	10,426
Administration services	181,223	665,382	2,459,391	3,305,996
Operation and maintenance of plant services	36,897	952,460	57,077	1,046,434
Transportation services	--	898,052	--	898,052
	<u>218,120</u>	<u>2,515,894</u>	<u>2,526,894</u>	<u>5,260,908</u>
Other expenditures:				
Facilities acquisition	1,902,364	1,292,323	5,443,398	8,638,085
Bond amortization	--	--	310,835	310,835
	<u>1,902,364</u>	<u>1,292,323</u>	<u>5,754,233</u>	<u>8,948,920</u>
Total expenditures	<u>2,929,793</u>	<u>3,846,517</u>	<u>8,281,127</u>	<u>15,057,437</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>7,070,815</u>	<u>278,598</u>	<u>(8,236,846)</u>	<u>(887,433)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issue	4,024,000	--	27,500,000	31,524,000
Premium on bond issue	--	--	963,374	963,374
Transfers in (out), net	(10,373,460)	--	4,024,000	(6,349,460)
Total other financing sources and uses	<u>(6,349,460)</u>	<u>--</u>	<u>32,487,374</u>	<u>26,137,914</u>
<b>CHANGE IN FUND BALANCES</b>	721,355	278,598	24,250,528	25,250,481
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,213,868</u>	<u>2,357,463</u>	<u>(288,012)</u>	<u>6,283,319</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 4,935,223</u>	<u>2,636,061</u>	<u>23,962,516</u>	<u>31,533,800</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, 2019**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Bloomer	\$ 3,071	328	787	2,612
Carter Lake	6,497	3,854	4,540	5,811
College View	4,991	--	--	4,991
Crescent	6,344	--	1,063	5,281
Edison	4,985	6,994	6,004	5,975
Franklin	1,892	2,276	1,171	2,997
Hoover	4,474	13,403	13,717	4,160
Lewis & Clark	10,138	1,674	4,934	6,878
Longfellow	1,682	957	1,975	664
Roosevelt	4,846	233	3,230	1,849
Rue	4,863	--	--	4,863
Kirn JHS	25,125	71,937	72,459	24,603
Woodrow Wilson JHS	62,560	95,888	94,084	64,364
Tucker Center	5,667	13,181	12,536	6,312
Thomas Jefferson SHS	(65,812)	483,851	397,473	20,566
Abraham Lincoln SHS	203,785	452,920	371,014	285,691
Kanesville AHS	2,801	696	3,225	272
	<u>\$ 287,909</u>	<u>1,148,192</u>	<u>988,212</u>	<u>447,889</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, 2019**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,891	153,064	212,955	--
Due from other governments	44,803	32,594	--	77,397
Total assets	<u>\$ 104,694</u>	<u>153,064</u>	<u>212,955</u>	<u>77,397</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 104,694	15,881	104,694	15,881
Interfund loan payable	--	137,183	75,667	61,516
Total liabilities	<u>\$ 104,694</u>	<u>153,064</u>	<u>180,361</u>	<u>77,397</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 Ten Year Ended June 30

	Modified Accrual Basis									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>REVENUES:</b>										
Local sources:										
Local tax	\$ 46,774,297	44,323,678	43,801,727	43,238,410	44,181,757	42,564,152	42,421,544	45,325,106	44,479,263	39,049,297
Tuition	3,032,774	2,821,210	2,072,728	3,111,592	2,980,020	2,712,434	2,335,207	2,777,515	2,192,571	2,246,918
Other	5,139,171	6,222,710	8,272,191	11,536,471	4,606,014	5,651,958	5,236,703	6,556,766	4,786,297	4,254,559
State sources	73,899,808	73,715,542	71,137,987	68,460,009	64,465,411	59,383,774	57,386,553	55,525,497	54,955,848	47,060,916
Federal sources	7,193,561	6,937,113	6,334,306	5,345,763	5,209,908	5,954,736	5,772,683	7,369,888	6,702,964	10,344,768
Total revenues	<u>136,039,611</u>	<u>134,020,253</u>	<u>131,618,939</u>	<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>
<b>EXPENDITURES:</b>										
Instruction:										
Regular instruction	78,762,757	79,624,932	76,829,228	38,316,380	37,638,119	35,487,624	36,537,506	33,131,109	32,567,873	34,086,154
Special instruction	--	--	210,132	35,036,446	34,556,075	31,250,302	28,628,797	29,276,353	31,085,908	27,812,408
Other Instruction	1,062,140	1,032,203	984,951	3,424,823	3,854,800	3,503,366	3,842,876	3,887,216	4,500,693	4,737,108
Support services:										
Student services	5,273,415	4,772,703	4,567,443	4,525,022	2,590,784	3,104,599	2,881,955	2,829,534	2,542,273	2,558,412
Instructional staff services	4,990,387	5,001,210	4,758,274	4,766,189	5,643,280	2,379,699	2,393,281	3,463,196	1,363,587	1,991,979
Administration services	16,394,940	13,904,795	12,918,487	12,774,696	12,396,728	12,372,695	11,867,856	11,275,283	11,345,682	11,711,387
Operation and maintenance of plant	10,506,491	9,698,273	9,662,729	9,653,140	7,946,294	9,176,788	7,412,240	7,647,550	7,795,108	8,349,843
Transportation services	5,726,678	4,916,161	4,351,358	3,901,109	3,670,708	3,488,486	3,350,459	3,038,034	3,042,152	2,830,114
Non-instructional programs	--	--	--	--	--	--	--	--	--	--
Other expenditures:										
Facilities acquisition	8,638,085	3,440,995	6,222,821	14,441,067	10,029,827	3,583,145	8,227,957	12,168,670	39,262,078	24,107,373
Long-term debt:										
Principal	3,975,000	5,547,353	6,206,361	4,768,213	4,803,071	3,635,000	3,495,000	1,000,000	1,000,000	1,000,000
Interest and fiscal charges	1,854,780	1,827,941	1,890,080	2,793,246	2,926,614	2,919,818	2,976,221	2,813,716	1,947,050	475,576
AEA flowthrough	4,340,347	4,323,348	4,114,100	4,040,318	3,894,362	3,695,117	3,554,916	3,542,694	3,936,375	3,769,834
Total expenditures	<u>\$ 141,525,020</u>	<u>134,089,914</u>	<u>132,715,964</u>	<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>

See accompanying independent auditor's report

# Council Bluffs Community School District

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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	S010A170015/S010A180015	\$ 2,187,669
Title I - carryover	84.010	S010A170015/S010A180015	314,357
Total Title I			<u>2,502,026</u>
Passed through the State of Iowa Department of Education:			
Vocational Education - Basic Grants to States	84.048	V048A170015/V048A180015	114,089
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		64,044
Education for Homeless Children and Youth	84.196	S196A170016/S196A180016	40,000
Twenty-First Century Community Learning Centers	84.287	S287C170015/S287C180015	1,073,487
Special Education - State Personnel Development Grants	84.323	H323A150009	4,563
Title III - English Language Acquisition State Grants	84.365	S365A170015/S365A180015	68,383
Title IIA - Federal Teacher Quality Program	84.367	S367A170014/S367A180014	341,773
Title IV - Student Support and Academic Enrichment Program	84.424	S424A170016/S424A180016	192,370
Total passed through the State of Iowa Department of Education			<u>1,898,709</u>
Passed through Green Hills Area Education Agency:			
IDEA, Part B	84.027	H027A180097	537,128
Total U.S. DEPARTMENT OF EDUCATION			<u>4,937,863</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the State of Iowa Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555		3,286,102
Food Distribution - Child Nutrition Act (non-cash)	10.555		394,817
Summer Food Service Program for Children	10.559		190,490
School Breakfast Program	10.553		1,184,591
Total Child Nutrition Cluster			<u>5,056,000</u>
Passed through the State of Iowa Department of Education:			
Fresh Fruit and Vegetable Program	10.582		182,761
Nutritional Education and Training Program	10.564		43,781
Total U.S. DEPARTMENT OF AGRICULTURE			<u>5,282,542</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,220,405</u>

The accompanying notes are an integral part of this schedule.

## **Council Bluffs Community School District**

### **Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019**

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#### **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, 2019. 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. 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, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2019.

#### **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, 2019 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SEIM JOHNSON, LLP

Omaha, Nebraska,  
November 12, 2019.

## **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, 2019. 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 noncompliance 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, 2019.

### **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 a major federal program to determine our 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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,  
November 12, 2019.

# Council Bluffs Community School District

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

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### 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 federal programs:

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children

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.

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

# Council Bluffs Community School District

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

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### **Part IV: Other Findings Related to Statutory Reporting:**

**IV-A-19**      Certified Budget – Expenditures for the year ended June 30, 2019 exceeded the amended certified budget amounts in the support services and non-instructional programs.

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-19**      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-19**      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-19**      Business Transactions

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

**IV-E-19**      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-19**      Board Minutes

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

**IV-G-19**      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-19**      Supplemental Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

# Council Bluffs Community School District

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

**IV-I-19**      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-19**      Certified Annual Report

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

**IV-K-19**      Categorical Funding

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

**IV-L-19**      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 423F 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, 2019, 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 2019 audit.

Beginning balance		\$	4,213,868
Revenues/transfers in:			
Sales tax revenues	\$	9,365,463	
General long-term debt proceeds		4,024,000	
Other local revenues		635,145	
			<u>14,024,608</u>
			18,238,476
Expenditures/transfers out:			
School infrastructure construction		2,929,793	
Transfer to the Capital Projects Fund		4,024,000	
Transfer to the Debt Service Fund		6,349,460	
			<u>13,303,253</u>
Ending balance		\$	<u>4,935,223</u>

For the year ended June 30, 2019, 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	\$	2.96	\$	6,349,460

**IV-M-19**      Revenue Bonds

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

## **Council Bluffs Community School District**

### **Audit Staff**

**For the Year Ended June 30, 2019**

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#### **This audit was performed by:**

Brian D. Green, FHFMA, CPA, Partner

Justin M. Hope, FHFMA, CPA, Senior Manager

Gavin D. Blum, Supervising Senior

Jason R. Rasmussen, Staff Auditor

Vanesa L. Salcido, Staff Auditor

Weston S. Shephard, Staff Auditor