

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Sergeant Bluff-Luton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Neil Stockfleth	President	2009
David Schaar	Vice President	2009
Brad Baird	Board Member	2008
Jeff Zyzda	Board Member	2011
John Baker	Board Member	2011
<b>Board of Education (After September 2008 Election)</b>		
Brad Baird	President	2011
Neil Stockfleth	Vice President	2009
David Schaar	Board Member	2009
Jeff Zyzda	Board Member	2011
John Baker	Board Member	2011
<b>School Officials</b>		
Rod Earleywine	Superintendent	2009
Sue Mohr	District Secretary/Treasurer and Business Manager (Resigned December 2008)	2009
Kathy Nissen	District Secretary/Treasurer (Appointed December 2008)	2009
Denise Patterson	Business Manager (Appointed January 2009)	2009
Ahlers & Cooney P.C.	Attorney	2009

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District, Sergeant Bluff-Luton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

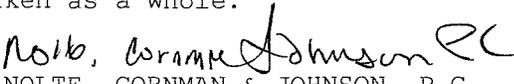
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2010 on our consideration of Sergeant Bluff-Luton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the

basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sergeant Bluff-Luton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2010

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Sergeant Bluff-Luton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$12,870,820 in fiscal 2008 to \$13,669,548 in fiscal 2009, while General Fund expenditures increased from \$12,645,924 in fiscal 2008 to \$13,282,389 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$747,351 in fiscal 2008 to a balance of \$1,134,510 in fiscal 2009, a 51.80% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source and federal grant revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The District's General Fund solvency ratio and fund balance continued to increase in spite of a 1.5% across the board cut in funding from the State. The District made adjustments to the working budget to avoid decreases in those areas.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased significantly as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 5.36% as compared to 7.79% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sergeant Bluff-Luton 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 Sergeant Bluff-Luton 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 Sergeant Bluff-Luton Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

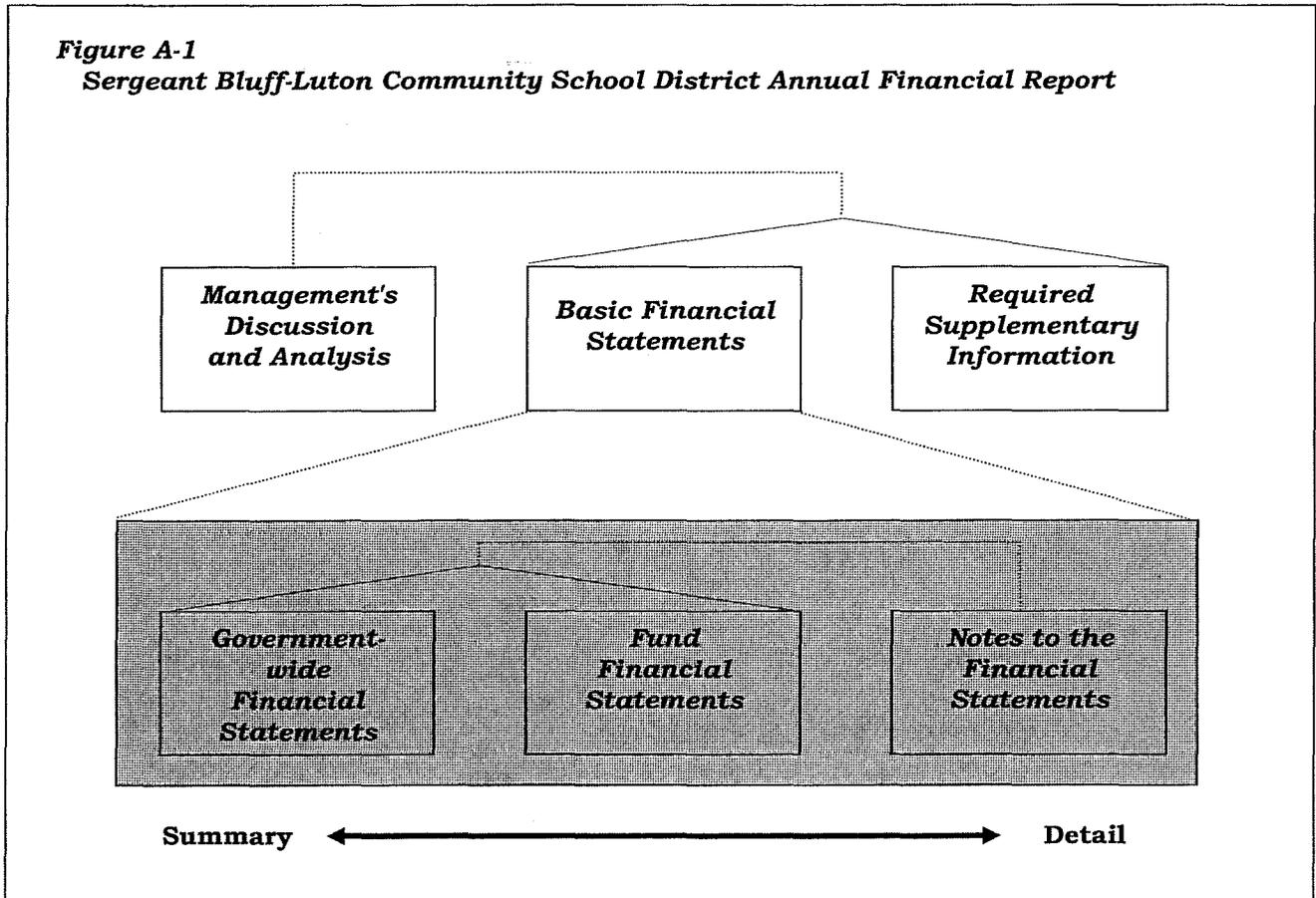


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the

same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Early Childhood Enterprises.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 11,838,387	11,733,176	179,217	142,852	12,017,604	11,876,028	1.19%
Capital assets	18,398,525	17,661,750	42,926	75,660	18,441,451	17,737,410	3.97%
Total assets	30,236,912	29,394,926	222,143	218,512	30,459,055	29,613,438	2.86%
Long-term obligations	6,529,463	6,960,116	2,124	0	6,531,587	6,960,116	-6.16%
Other liabilities	9,698,322	9,845,157	23,930	20,400	9,722,252	9,865,557	-1.45%
Total liabilities	16,227,785	16,805,273	26,054	20,400	16,253,839	16,825,673	-3.40%
Net assets:							
Invested in capital assets, net of related debt	12,426,671	10,955,364	42,926	75,660	12,469,597	11,031,024	13.04%
Restricted	816,216	1,025,533	0	0	816,216	1,025,533	-20.41%
Unrestricted	766,240	608,756	153,163	122,452	919,403	731,208	25.74%
Total net assets	\$ 14,009,127	12,589,653	196,089	198,112	14,205,216	12,787,765	11.08%

The District's combined net assets increased by 11.08% or \$1,417,451 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased \$209,317 or 20.41% over the prior year. This decrease is mainly attributable to the decrease in fund balance for the Capital Projects Fund. During the year the District completed projects related to the bus barn fire of 2007, thus creating the decrease in fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirement - increased \$188,195 or 25.74%. The increase in unrestricted net assets is mainly attributable to the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,477,038	1,532,749	590,907	549,705	2,067,945	2,082,454	-0.70%
Operating grants and contributions and restricted interest	2,035,504	1,538,200	240,027	234,655	2,275,531	1,772,855	28.35%
<b>General revenues:</b>							
Property tax	6,910,806	5,966,057	0	0	6,910,806	5,966,057	15.84%
Statewide sales and service tax	1,100,985	1,053,810	0	0	1,100,985	1,053,810	4.48%
Unrestricted state grants	4,679,206	4,943,910	0	0	4,679,206	4,943,910	-5.35%
Other	244,983	262,877	1,969	4,057	246,952	266,934	-7.49%
<b>Total revenues</b>	<b>16,448,522</b>	<b>15,297,603</b>	<b>832,903</b>	<b>788,417</b>	<b>17,281,425</b>	<b>16,086,020</b>	<b>7.43%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	10,131,658	9,255,172	0	0	10,131,658	9,255,172	9.47%
Support services	3,816,869	3,644,371	30,744	26,571	3,847,613	3,670,942	4.81%
Non-instructional programs	3,247	1,456	804,182	742,278	807,429	743,734	8.56%
Other expenses	1,463,591	1,661,242	0	0	1,463,591	1,661,242	-11.90%
<b>Total expenses</b>	<b>15,415,365</b>	<b>14,562,241</b>	<b>834,926</b>	<b>768,849</b>	<b>16,250,291</b>	<b>15,331,090</b>	<b>6.00%</b>
Change in net assets before extraordinary item	1,033,157	735,362	(2,023)	19,568	1,031,134	754,930	36.59%
<b>Extraordinary item:</b>							
Compensation for loss of capital assets	386,317	655,467	0	0	386,317	655,467	-41.06%
Change in net assets	1,419,474	1,390,829	(2,023)	19,568	1,417,451	1,410,397	0.50%
Net assets beginning of year	12,589,653	11,198,824	198,112	178,544	12,787,765	11,377,368	12.40%
Net assets end of year	\$ 14,009,127	12,589,653	196,089	198,112	14,205,216	12,787,765	11.08%

In fiscal 2009, property tax and unrestricted state grants account for 70.46% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.76% of the revenue from business type activities.

The District's total revenues were approximately \$17.28 million of which approximately \$16.45 million was for governmental activities and approximately \$0.83 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.43% increase in revenues and a 6.00% increase in expenses. Property tax increased \$944,749 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits, as well as increases in expenses related to the net OPEB liability.

### Governmental Activities

Revenues for governmental activities were \$16,448,522 and expenses were \$15,415,365. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 10,131,658	9,255,172	9.47%	7,150,529	6,687,792	6.92%
Support services	3,816,869	3,644,371	4.73%	3,795,855	3,626,036	4.68%
Non-instructional	3,247	1,456	123.01%	3,247	1,456	123.01%
Other expenses	1,463,591	1,661,242	-11.90%	953,192	1,176,008	-18.95%
Totals	\$ 15,415,365	14,562,241	5.86%	11,902,823	11,491,292	3.58%

- The cost financed by users of the District's programs was \$1,477,038.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,035,504.
- The net cost of governmental activities was financed with \$6,910,806 in property tax, \$1,100,985 in statewide sales and service tax, \$4,679,206 in unrestricted state grants, \$87,754 in interest income and \$157,229 in other general revenues.

### Business type Activities

Revenues of the District's business type activities were \$832,903, representing a 5.64% increase over the prior year, while expenses totaled \$834,926, an 8.59% increase over the prior year. The District's business type activities include the School Nutrition Fund and Early Childhood Enterprises. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Sergeant Bluff-Luton 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 balance of \$2,157,503, above last year's ending fund balances of a \$1,907,566.

### Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Increases in local sources and federal sources during the year resulted in an increase in revenues. The increase in revenues was more than enough to offset the District's increase in General Fund expenditures ensuring the increase of the District's financial position.
- The Capital Projects fund balance decreased from \$782,721 in 2008 to \$513,406 in 2009. The decrease can be mainly attributable to the District completing construction of the bus barn that was destroyed by fire in 2007 and the purchase of new land for a future high school campus.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$114,453 at June 30, 2008 to \$108,746 at June 30, 2009, representing a decrease of 4.99%. The Early Childhood Enterprises net assets increased from \$83,659 in 2008 to \$87,343 in 2009, representing an increase of 4.40%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its annual budget one time for \$2,960,800 to reflect additional expenditures associated with all functional areas.

The District's revenues were \$519,292 more than budgeted revenues, a variance of 3.11%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated due to stimulus monies received from the American Recovery and Reinvestment Act.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$18.44 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.93% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$677,855.

The original cost of the District's capital assets was \$29,037,428. Governmental funds account for \$28,623,530 with the remainder of \$413,898 in the Proprietary, School Nutrition Fund.

The percentage largest change in capital asset activity during the year occurred in the land category. The District's land totaled \$426,797 at June 30, 2008 compared to \$823,906 reported at June 30, 2009. This increase resulted from the District purchasing almost 39 acres of land that will be used for a future high school campus.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 823,906	426,797	0	0	823,906	426,797	93.04%
Construction in progress	16,323	12,536	0	0	16,323	12,536	30.21%
Buildings	16,149,103	15,650,757	0	0	16,149,103	15,650,757	3.18%
Improvements other than buildings	694,675	753,197	0	0	694,675	753,197	-7.77%
Machinery and equipment	714,518	818,463	42,926	75,660	757,444	894,123	-15.29%
Total	\$ 18,398,525	17,661,750	42,926	75,660	18,441,451	17,737,410	3.97%

### Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$6,531,587 in general obligation bonds payable, computer lease payable and other long-term debt. This represents a decrease of 6.16% from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,690,000 at June 30, 2009.

During the year ended June 30, 2009, the District had a computer lease payable of \$274,885. Payments for this obligation will be made from the Capital Projects Fund through fiscal year 2011.

The District also had total outstanding early retirement payable of \$303,285 from the Special Revenue, Management Levy Fund at June 30, 2009.

The District had a Net OPEB liability of \$263,417 as of June 30, 2009.

Figure A-7  
Outstanding Long-term Debt Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
General obligation bonds	\$ 5,690,000	6,305,000	0	0	5,690,000	6,305,000	-9.75%
Computer lease	274,885	401,386	0	0	274,885	401,386	-31.52%
Early retirement	303,285	253,730	0	0	303,285	253,730	19.53%
Net OPEB liability	261,293	0	2,124	0	263,417	0	100.00%
Total	\$ 6,529,463	6,960,116	2,124	0	6,531,587	6,960,116	-6.16%

## ECONOMIC FACTORS BEARING ON 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:

- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

## 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 Denise Patterson, Business Manager, Sergeant Bluff-Luton Community School District, P.O. Box 97, Sergeant Bluff, Iowa, 51054.

BASIC FINANCIAL STATEMENTS

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 918,314	0	918,314
Other	3,212,335	161,143	3,373,478
Receivables:			
Property tax:			
Delinquent	38,337	0	38,337
Succeeding year	7,197,441	0	7,197,441
Accounts	10,918	204	11,122
Accrued ISCAP interest	113	0	113
Due from other governments	460,929	815	461,744
Inventories	0	17,055	17,055
Capital assets, net of accumulated depreciation	18,398,525	42,926	18,441,451
<b>TOTAL ASSETS</b>	<b>30,236,912</b>	<b>222,143</b>	<b>30,459,055</b>
<b>LIABILITIES</b>			
Accounts payable	151,608	50	151,658
Salaries and benefits payable	1,363,837	12,030	1,375,867
ISCAP warrants payable	904,000	0	904,000
ISCAP accrued interest payable	309	0	309
ISCAP premiums payable	17,500	0	17,500
Interest payable	17,438	0	17,438
Deferred revenue:			
Succeeding year property tax	7,197,441	0	7,197,441
Other	46,189	0	46,189
Unearned revenue	0	11,850	11,850
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	635,000	0	635,000
Computer lease payable	133,660	0	133,660
Early retirement payable	71,368	0	71,368
Portion due after one year:			
General obligation bonds payable	5,055,000	0	5,055,000
Computer lease payable	141,225	0	141,225
Early retirement payable	231,917	0	231,917
Net OPEB liability	261,293	2,124	263,417
<b>TOTAL LIABILITIES</b>	<b>16,227,785</b>	<b>26,054</b>	<b>16,253,839</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,433,640	42,926	12,476,566
Restricted for:			
Debt service	13,702	0	13,702
Categorical funding	70,172	0	70,172
Physical plant and equipment levy	62,326	0	62,326
Capital projects	513,406	0	513,406
Other special revenue purposes	149,641	0	149,641
Unrestricted	766,240	153,163	919,403
<b>TOTAL NET ASSETS</b>	<b>\$ 14,009,127</b>	<b>196,089</b>	<b>14,205,216</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues					Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 6,742,453	1,008,800	1,263,509	(4,470,144)	0	(4,470,144)
Special	2,057,509	182,552	248,689	(1,626,268)	0	(1,626,268)
Other	1,331,696	277,579	0	(1,054,117)	0	(1,054,117)
	<u>10,131,658</u>	<u>1,468,931</u>	<u>1,512,198</u>	<u>(7,150,529)</u>	<u>0</u>	<u>(7,150,529)</u>
Support services:						
Student	266,847	0	0	(266,847)	0	(266,847)
Instructional staff	509,375	0	0	(509,375)	0	(509,375)
Administration	1,281,549	0	0	(1,281,549)	0	(1,281,549)
Operation and maintenance of plant	1,382,360	0	0	(1,382,360)	0	(1,382,360)
Transportation	376,738	8,107	12,907	(355,724)	0	(355,724)
	<u>3,816,869</u>	<u>8,107</u>	<u>12,907</u>	<u>(3,795,855)</u>	<u>0</u>	<u>(3,795,855)</u>
Non-instructional programs:	3,247	0	0	(3,247)	0	(3,247)
Other expenditures:						
Facilities acquisitions	176,691	0	0	(176,691)	0	(176,691)
Long-term debt interest	233,852	0	0	(233,852)	0	(233,852)
AEA flowthrough	510,399	0	510,399	0	0	0
Depreciation (unallocated)*	542,649	0	0	(542,649)	0	(542,649)
	<u>1,463,591</u>	<u>0</u>	<u>510,399</u>	<u>(953,192)</u>	<u>0</u>	<u>(953,192)</u>
Total governmental activities	15,415,365	1,477,038	2,035,504	(11,902,823)	0	(11,902,823)
Business Type activities:						
Support services:						
Administration	29,258	0	0	0	(29,258)	(29,258)
Operation and maintenance of plant	1,486	0	0	0	(1,486)	(1,486)
	<u>30,744</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(30,744)</u>	<u>(30,744)</u>
Non-instructional programs:						
Nutrition services	608,650	381,337	232,641	0	5,328	5,328
Early childhood enterprises	195,532	209,570	7,386	0	21,424	21,424
	<u>804,182</u>	<u>590,907</u>	<u>240,027</u>	<u>0</u>	<u>26,752</u>	<u>26,752</u>
Total business type activities	834,926	590,907	240,027	0	(3,992)	(3,992)
Total	\$ 16,250,291	2,067,945	2,275,531	(11,902,823)	(3,992)	(11,906,815)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				5,909,201	0	5,909,201
Debt services				820,126	0	820,126
Capital outlay				181,479	0	181,479
Statewide sales and service tax				1,100,985	0	1,100,985
Unrestricted state grants				4,679,206	0	4,679,206
Unrestricted investment earnings				87,754	1,969	89,723
Other				157,229	0	157,229
Total general revenues				<u>12,935,980</u>	<u>1,969</u>	<u>12,937,949</u>
Changes in net assets before extraordinary item				1,033,157	(2,023)	1,031,134
<b>Extraordinary Item:</b>						
Compensation for loss of capital assets				386,317	0	386,317
Changes in net assets				1,419,474	(2,023)	1,417,451
Net assets beginning of year				12,589,653	198,112	12,787,765
Net assets end of year				<u>14,009,127</u>	<u>196,089</u>	<u>14,205,216</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 918,314	0	0	918,314
Other	2,303,724	404,237	504,374	3,212,335
Receivables:				
Property tax:				
Delinquent	31,392	0	6,945	38,337
Succeeding year	5,829,157	0	1,368,284	7,197,441
Accounts	10,588	0	330	10,918
Accrued ISCAP interest	113	0	0	113
Due from other governments	294,496	166,433	0	460,929
<b>TOTAL ASSETS</b>	<b>\$ 9,387,784</b>	<b>570,670</b>	<b>1,879,933</b>	<b>11,838,387</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 92,282	57,264	2,062	151,608
Salaries and benefits payable	1,363,837	0	0	1,363,837
ISCAP warrants payable	904,000	0	0	904,000
ISCAP accrued interest payable	309	0	0	309
ISCAP premiums payable	17,500	0	0	17,500
Deferred revenue:				
Succeeding year property tax	5,829,157	0	1,368,284	7,197,441
Other	46,189	0	0	46,189
Total liabilities	<b>8,253,274</b>	<b>57,264</b>	<b>1,370,346</b>	<b>9,680,884</b>
Fund balances:				
Reserved for:				
Debt service	0	0	13,702	13,702
Categorical funding	70,172	0	0	70,172
Unreserved	1,064,338	513,406	495,885	2,073,629
Total fund balances	<b>1,134,510</b>	<b>513,406</b>	<b>509,587</b>	<b>2,157,503</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,387,784</b>	<b>570,670</b>	<b>1,879,933</b>	<b>11,838,387</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

Total fund balances of governmental funds (page 15) \$ 2,157,503

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds. 18,398,525

Accrued interest payable in long-term liabilities is not  
due and payable in the current period and, therefore,  
is not reported as a liability in the governmental funds. (17,438)

Long-term liabilities, including bonds payable, computer  
lease payable, early retirement payable and other  
postemployment benefits payable are not due and payable  
in the current period and, therefore, are not reported as  
liabilities in the governmental funds. (6,529,463)

Net assets of governmental activities (page 13) \$ 14,009,127

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 5,585,317	1,100,985	1,325,489	8,011,791
Tuition	1,139,145	0	0	1,139,145
Other	209,708	7,742	316,102	533,552
State sources	6,123,612	0	275	6,123,887
Federal sources	589,517	0	0	589,517
Total revenues	13,647,299	1,108,727	1,641,866	16,397,892
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,405,843	0	109,026	6,514,869
Special	2,007,652	0	0	2,007,652
Other	1,058,965	0	264,928	1,323,893
	9,472,460	0	373,954	9,846,414
Support services:				
Student	251,549	0	17,555	269,104
Instructional staff	424,711	77,498	2,382	504,591
Administration	1,178,120	45,769	35,977	1,259,866
Operation and maintenance of plant	1,164,746	499	190,859	1,356,104
Transportation	280,404	4,979	12,272	297,655
	3,299,530	128,745	259,045	3,687,320
Non-instructional programs:				
Food service operations	0	0	1,862	1,862
Community service operations	0	0	1,385	1,385
	0	0	3,247	3,247
Other expenditures:				
Facilities acquisitions	0	1,473,699	86,361	1,560,060
Long-term debt:				
Principal	0	0	741,501	741,501
Interest and fiscal charges	0	0	235,961	235,961
AEA flowthrough	510,399	0	0	510,399
	510,399	1,473,699	1,063,823	3,047,921
Total expenditures	13,282,389	1,602,444	1,700,069	16,584,902
Excess(deficiency) of revenues over(under) expenditures	364,910	(493,717)	(58,203)	(187,010)
Other financing sources(uses):				
Transfers in	9,521	512,000	149,217	670,738
Transfers out	0	(661,217)	(9,521)	(670,738)
Sale of equipment	30	0	0	30
Sale of property	0	0	50,600	50,600
Compensation for loss of capital assets	12,698	373,619	0	386,317
Total other financing sources(uses)	22,249	224,402	190,296	436,947
Net change in fund balances	387,159	(269,315)	132,093	249,937
Fund balance beginning of year	747,351	782,721	377,494	1,907,566
Fund balance end of year	\$ 1,134,510	513,406	509,587	2,157,503

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ 249,937

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,396,419	
Depreciation expense	<u>(659,644)</u>	736,775

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current years repayments were as follows:

Repaid		741,501
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,109

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	(49,555)	
Other postemployment benefits	<u>(261,293)</u>	<u>(310,848)</u>

Changes in net assets of governmental activities (page 14) \$ 1,419,474

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	School Nutrition	Early Childhood Enterprises	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 66,910	94,233	161,143
Accounts receivable	204	0	204
Due from other governments	815	0	815
Inventories	17,055	0	17,055
Total current assets	<u>84,984</u>	<u>94,233</u>	<u>179,217</u>
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	42,926	0	42,926
Total non-current assets	<u>42,926</u>	<u>0</u>	<u>42,926</u>
<b>TOTAL ASSETS</b>	<u>127,910</u>	<u>94,233</u>	<u>222,143</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	0	50	50
Salaries and benefits payable	6,136	5,894	12,030
Unearned revenue	11,850	0	11,850
Total current liabilities	<u>17,986</u>	<u>5,944</u>	<u>23,930</u>
Long-term liabilities:			
Net OPEB liability	1,178	946	2,124
Total long-term liabilities	<u>1,178</u>	<u>946</u>	<u>2,124</u>
<b>TOTAL LIABILITIES</b>	<u>19,164</u>	<u>6,890</u>	<u>26,054</u>
<b>NET ASSETS</b>			
Invested in capital assets	42,926	0	42,926
Unrestricted	65,820	87,343	153,163
<b>TOTAL NET ASSETS</b>	<u>\$ 108,746</u>	<u>87,343</u>	<u>196,089</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Early Childhood Enterprises	Total
<b>OPERATING REVENUE:</b>			
Local sources:			
Charges for services	\$ 381,337	209,570	590,907
<b>OPERATING EXPENSES:</b>			
Support services:			
Administration:			
Salaries	6,944	14,688	21,632
Benefits	2,841	4,785	7,626
	9,785	19,473	29,258
Operation and maintenance of plant:			
Services	1,486	0	1,486
Total support services	11,271	19,473	30,744
Non-instructional programs:			
Food service operations:			
Salaries	215,542	0	215,542
Benefits	37,592	0	37,592
Services	0	2,773	2,773
Supplies	322,644	0	322,644
Depreciation	18,211	0	18,211
Other	138	0	138
	594,127	2,773	596,900
Other enterprise operations:			
Salaries	0	150,017	150,017
Benefits	0	26,623	26,623
Services	0	698	698
Supplies	0	15,421	15,421
	0	192,759	192,759
Total non-instructional programs	594,127	195,532	789,659
<b>TOTAL OPERATING EXPENSES</b>	<b>605,398</b>	<b>215,005</b>	<b>820,403</b>
<b>OPERATING LOSS</b>	<b>(224,061)</b>	<b>(5,435)</b>	<b>(229,496)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
State sources	7,619	7,386	15,005
Federal sources	225,022	0	225,022
Interest income	236	1,733	1,969
Loss on asset disposal	(14,523)	0	(14,523)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>218,354</b>	<b>9,119</b>	<b>227,473</b>
Changes in net assets	(5,707)	3,684	(2,023)
Net assets beginning of year	114,453	83,659	198,112
Net assets end of year	\$ 108,746	87,343	196,089

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition	Early Childhood Enterprises	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 379,287	0	379,287
Cash received from miscellaneous operating activities	2,887	209,570	212,457
Cash payments to employees for services	(255,605)	(194,998)	(450,603)
Cash payments to suppliers for goods or services	(284,066)	(19,063)	(303,129)
Net cash used in operating activities	<u>(157,497)</u>	<u>(4,491)</u>	<u>(161,988)</u>
Cash flows from non-capital financing activities:			
State grants received	7,619	7,386	15,005
Federal grants received	178,764	0	178,764
Net cash provided by non-capital financing activities	<u>186,383</u>	<u>7,386</u>	<u>194,584</u>
Cash flows from investing activities:			
Interest on investments	236	1,733	1,969
Net increase in cash and cash equivalents	29,122	4,628	33,750
Cash and cash equivalents at beginning of year	37,788	89,605	127,393
Cash and cash equivalents at end of year	<u>\$ 66,910</u>	<u>94,233</u>	<u>161,143</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (224,061)	(5,435)	(229,496)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	45,443	0	45,443
Depreciation	18,211	0	18,211
Increase in inventories	(2,116)	0	(2,116)
Decrease in accounts receivable	316	0	316
Decrease in accounts payable	(3,125)	(171)	(3,296)
Increase in salaries and benefits payable	6,136	169	6,305
Increase in unearned revenue	521	0	521
Increase in other postemployment benefits	1,178	946	2,124
Net cash used in operating activities	<u>\$ (157,497)</u>	<u>(4,491)</u>	<u>(161,988)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$45,443.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

(1) **Summary of Significant Accounting Policies**

The Sergeant Bluff-Luton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sergeant Bluff and Luton, Iowa, and the predominate agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sergeant Bluff-Luton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sergeant Bluff-Luton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Enterprises.

The School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Enterprises Fund is used to account for day care services provided by the District.

### C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds is charges to customers for sales and services. Operating expenses for

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, the District adopted one budget amendment increasing budgeted expenditures by \$2,960,800.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 73,465</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects Statewide Sales Tax	\$ 149,217
Capital Projects Building Projects	Capital Projects Statewide Sales Tax	512,000
General	Activity	9,521
Total		<u>\$ 670,738</u>

The Capital Projects, Statewide Sales Tax transfer to Debt Service was needed for principal and interest payments on the District's computer lease.

The Capital Projects, Statewide Sales Tax transfer to the Capital Projects, Building Projects was needed to move money related to the rebuilding of the bus barn and other items destroyed during the fire in the previous year.

The transfer from the Activity Fund to the General Fund was to reimburse the General Fund for chairs purchased for the music department that the Activity fund fundraised for through magazine sales.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/2009	6/23/2010	\$ 918,314	113	904,000	309

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on

the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund for the year ended June 30, 2009 was noted.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 426,797	397,109	0	823,906
Construction in progress	12,536	969,721	965,934	16,323
Total capital assets not being depreciated	439,333	1,366,830	965,934	840,229
Capital assets being depreciated:				
Buildings	23,793,322	976,179	0	24,769,501
Improvements other than buildings	1,744,170	6,294	0	1,750,464
Machinery and equipment	1,280,819	13,050	30,533	1,263,336
Total capital assets being depreciated	26,818,311	995,523	30,533	27,783,301
Less accumulated depreciation for:				
Buildings	8,142,565	477,833	0	8,620,398
Improvements other than buildings	990,973	64,816	0	1,055,789
Machinery and equipment	462,356	116,995	30,533	548,818
Total accumulated depreciation	9,595,894	659,644	30,533	10,225,005
Total capital assets being depreciated, net	17,222,417	335,879	0	17,558,296
Governmental activities capital assets, net	\$ 17,661,750	1,702,709	965,934	18,398,525
Business type activities:				
Machinery and equipment	\$ 438,590	0	24,692	413,898
Less accumulated depreciation	362,930	18,211	10,169	370,972
Business type activities capital assets, net	\$ 75,660	(18,211)	14,523	42,926

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 20,534
Support services:		
Administration services		2,846
Operation and maintenance of plant services		16,590
Transportation		77,025
		<u>116,995</u>
Unallocated depreciation		<u>542,649</u>
		<u>\$ 659,644</u>
Business type activities:		
Food services		<u>\$ 18,211</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 6,305,000	0	615,000	5,690,000	635,000
Computer lease	401,386	0	126,501	274,885	133,660
Early retirement	253,730	104,726	55,171	303,285	71,368
Net OPEB liability	0	261,293	0	261,293	0
Total	<u>\$ 6,960,116</u>	<u>366,019</u>	<u>796,672</u>	<u>6,529,463</u>	<u>840,028</u>
Business Type Activities:					
Net OPEB liability	<u>\$ 0</u>	<u>2,124</u>	<u>0</u>	<u>2,124</u>	<u>0</u>

General Obligation

Details of the District's June 30, 2009 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue Dated July 1, 2005		
		Principal	Interest	Total
2010	3.05	635,000	193,703	828,703
2011	3.13	655,000	174,335	829,335
2012	3.25	670,000	153,866	823,866
2013	3.35	695,000	132,091	827,091
2014	3.45	715,000	108,808	823,808
2015	3.55	745,000	84,141	829,141
2016	3.63	775,000	57,694	832,694
2017	3.70	800,000	29,600	829,600
Total		<u>\$ 5,690,000</u>	<u>934,238</u>	<u>6,624,238</u>

Computer Lease

During the year ended June 30, 2007, the District entered into a computer lease agreement with Leaf Financial Corporation. Details of the remaining principal and interest payments made from the Capital Projects, Statewide Sales Tax are as follows:

Year Ending June 30,	Interest Rate	Compter Lease dated June 12, 2007		
		Principal	Interest	Total
2010	3.70	% \$ 133,660	15,557	149,217
2011	3.70	141,225	7,992	149,217
Total		\$ 274,885	23,549	298,434

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The early retirement incentive for each eligible employee is computed according to the number of unused sick leave days available to the retiring employee. In addition, teachers selecting early retirement may elect to have their single health insurance premium paid, at the fixed dollar amount paid by the District for their health insurance premium during the retirement year, until the teacher reaches age 65. Early retirement expenditures for the year ended June 30, 2009 totaled \$55,171.

**(7) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 145 active and 13 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 263,417
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>263,417</u>
Contributions made	0
Increase in net OPEB obligation	<u>263,417</u>
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 263,417</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 263,417	0%	\$ 263,417

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$3.840 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.840 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.011 million, and the ratio of the UAAL to the covered payroll was 42.6%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2008 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2008. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$550,905, \$494,490, and \$453,008 respectively, equal to the required contributions for each year.

**(9) Risk Management**

Sergeant Bluff-Luton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$510,399 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

As of June 30, 2009, costs of \$16,323 have been incurred for the construction of a concession stand. Once the project has been completed, the associated costs will be added to the District's fixed assets listing.

**(12) Extraordinary Item**

During the year ended June 30, 2009, the District received the remainder of the settlement from EMC Insurance Company for the compensation for loss of fixed assets due to the bus barn fire that occurred during fiscal 2007 year.

**(13) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Talented and gifted	\$ 1,778
Beginning teacher mentoring	1,697
Salary improvement	1
Market factor	262
Beginning administrator mentoring	363
School ready children - empowerment	9,333
Model core curriculum	21,838
Professional development	26,478
Market factor incentives	8,422
Total	<u>\$ 70,172</u>

**(14) Property Lease**

During the year ended June 30, 2009, the District entered into a lease with the City of Sergeant Bluff for use of the City's B Street ballfields. The lease is for ten years at an annual cost of \$1.

REQUIRED SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 9,684,488	592,876	10,277,364	10,104,864	10,104,864	172,500
State sources	6,123,887	15,005	6,138,892	6,224,639	6,224,639	(85,747)
Federal sources	589,517	225,022	814,539	382,000	382,000	432,539
Total revenues	<u>16,397,892</u>	<u>832,903</u>	<u>17,230,795</u>	<u>16,711,503</u>	<u>16,711,503</u>	<u>519,292</u>
<b>Expenditures/Expenses:</b>						
Instruction	9,846,414	0	9,846,414	9,351,400	10,090,850	244,436
Support services	3,687,320	30,744	3,718,064	3,899,900	4,971,250	1,253,186
Non-instructional programs	3,247	804,182	807,429	781,800	931,800	124,371
Other expenditures	3,047,921	0	3,047,921	2,693,558	3,693,558	645,637
Total expenditures/expenses	<u>16,584,902</u>	<u>834,926</u>	<u>17,419,828</u>	<u>16,726,658</u>	<u>19,687,458</u>	<u>2,267,630</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(187,010)	(2,023)	(189,033)	(15,155)	(2,975,955)	2,786,922
Other financing sources, net	436,947	0	436,947	0	0	436,947
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	249,937	(2,023)	247,914	(15,155)	(2,975,955)	3,223,869
Balance beginning of year	1,907,566	198,112	2,105,678	1,829,933	1,829,933	275,745
Balance end of year	<u>\$ 2,157,503</u>	<u>196,089</u>	<u>2,353,592</u>	<u>1,814,778</u>	<u>(1,146,022)</u>	<u>3,499,614</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,960,800.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
July 1, 2008	\$ -	\$ 3,840	\$ 3,840	0.0%	\$ 9,011	42.6%

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

OTHER SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
<b>ASSETS</b>						
Cash and pooled investments	\$ 283,212	150,251	61,402	494,865	9,509	504,374
Receivables:						
Property tax:						
Current year delinquent	1,828	0	924	2,752	4,193	6,945
Succeeding year	350,000	0	188,831	538,831	829,453	1,368,284
Accounts	0	330	0	330	0	330
<b>TOTAL ASSETS</b>	<b>\$ 635,040</b>	<b>150,581</b>	<b>251,157</b>	<b>1,036,778</b>	<b>843,155</b>	<b>1,879,933</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 1,122	940	0	2,062	0	2,062
Deferred revenue:						
Succeeding year property tax	350,000	0	188,831	538,831	829,453	1,368,284
Total liabilities	351,122	940	188,831	540,893	829,453	1,370,346
Fund balances:						
Reserved for debt service	0	0	0	0	13,702	13,702
Unreserved fund balances	283,918	149,641	62,326	495,885	0	495,885
Total fund balances	283,918	149,641	62,326	495,885	13,702	509,587
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 635,040</b>	<b>150,581</b>	<b>251,157</b>	<b>1,036,778</b>	<b>843,155</b>	<b>1,879,933</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 323,884	0	181,479	505,363	820,126	1,325,489
Other	18,136	278,021	17,373	313,530	2,572	316,102
State sources	74	0	36	110	165	275
<b>TOTAL REVENUES</b>	<b>342,094</b>	<b>278,021</b>	<b>198,888</b>	<b>819,003</b>	<b>822,863</b>	<b>1,641,866</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	109,026	0	0	109,026	0	109,026
Other	0	264,928	0	264,928	0	264,928
Support services:						
Student	17,555	0	0	17,555	0	17,555
Instructional staff	2,382	0	0	2,382	0	2,382
Administration	16,383	0	19,594	35,977	0	35,977
Operation and maintenance of plant	92,261	0	98,598	190,859	0	190,859
Transportation	9,461	0	2,811	12,272	0	12,272
Non-instructional programs:						
Food service operations	1,862	0	0	1,862	0	1,862
Community service operations	1,385	0	0	1,385	0	1,385
Other expenditures:						
Facilities acquisitions	0	0	86,361	86,361	0	86,361
Long-term debt:						
Principal	0	0	0	0	741,501	741,501
Interest and fiscal charges	0	0	0	0	235,961	235,961
<b>TOTAL EXPENDITURES</b>	<b>250,315</b>	<b>264,928</b>	<b>207,364</b>	<b>722,607</b>	<b>977,462</b>	<b>1,700,069</b>
Excess(deficiency) of revenues over(under) expenditures	91,779	13,093	(8,476)	96,396	(154,599)	(58,203)
Other financing sources(uses):						
Transfer in	0	0	0	0	149,217	149,217
Transfer out	0	(9,521)	0	(9,521)	0	(9,521)
Sale of property	0	0	50,600	50,600	0	50,600
<b>Total other financing sources(uses)</b>	<b>0</b>	<b>(9,521)</b>	<b>50,600</b>	<b>41,079</b>	<b>149,217</b>	<b>190,296</b>
Net change in fund balances	91,779	3,572	42,124	137,475	(5,382)	132,093
Fund balance beginning of year	192,139	146,069	20,202	358,410	19,084	377,494
Fund balance end of year	\$ 283,918	149,641	62,326	495,885	13,702	509,587

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
Unallocated interest	\$ 10,544	2,335	0	0	12,879
Field trips	177	11	0	0	188
Quiz bowl	84	0	80	0	4
Parent-teacher organization	123	0	0	0	123
After school activities	2,658	790	1,449	0	1,999
Primary special projects	6,673	2,975	2,794	0	6,854
Elementary instrumental music	0	32	29	0	3
Elementary special projects	7,486	1,804	4,018	0	5,272
Elementary vocal music	395	0	0	0	395
Instrumental music	741	0	0	0	741
Jr. high football	827	510	488	0	849
Jr. high boys track	1,044	0	0	0	1,044
Jr. high wrestling	25	0	0	0	25
Jr. high girls basketball	77	0	0	0	77
Jr. high volleyball	305	0	0	0	305
Jr. high girls track	1,044	1,619	1,462	0	1,201
Writer's club	1	0	1	0	0
6th grade class	614	90	57	0	647
Music magazine sales	7,892	3,825	2,026	(9,521)	170
Jr. high cheerleaders	1,311	0	0	0	1,311
Jr. high yearbook	1,606	4,160	3,448	0	2,318
L.A. experience	1,004	0	0	0	1,004
Jr. high athletics/juice	5,392	8,725	7,719	0	6,398
Student council	398	310	417	0	291
Middle school projects	13,810	3,225	5,816	0	11,219
Theater/plays	32	1,453	562	0	923
Speech	278	0	278	0	0
Music trip/fundraisers	1,300	4,087	2,534	0	2,853
Instrumental music	1,352	498	793	0	1,057
Athletics	11,314	77,510	71,087	0	17,737
Cross country	262	2,428	2,047	0	643
Boy's basketball	3,932	3,631	4,290	0	3,273
Football	11,351	35,359	39,247	0	7,463
Boys soccer	96	0	0	0	96
Baseball	4,339	120	2,107	0	2,352
Boys track	681	1,616	1,936	0	361
Wrestling	5,782	14,461	13,274	0	6,969
Girls basketball	2,011	4,592	4,089	0	2,514
Volleyball	94	4,244	3,053	0	1,285
Girls soccer	33	1,709	497	0	1,245
Softball	315	0	209	0	106
Girls track	147	1,532	1,678	0	1

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund and Intrafund Transfers	Balance End of Year
History/literature renaissance	184	0	0	0	184
Class of 2008	1,052	0	1,052	0	0
Class of 2009	5,181	500	5,681	0	0
Class of 2010	876	27,119	19,261	0	8,734
Class of 2011	945	550	0	0	1,495
Class of 2012	0	560	243	0	317
Select vocal fundraisers	2,705	2,360	3,303	1,656	3,418
HS solo/ensemble contest	1,987	3,312	1,773	(1,656)	1,870
S.T.E.P.	1,022	0	0	0	1,022
Cheerleaders	1,852	9,021	9,664	0	1,209
Dance team	8,324	18,335	21,584	0	5,075
Spirit council	104	554	0	0	658
High school yearbook	10,872	14,075	14,309	0	10,638
Senior composite fees	319	1,735	1,850	0	204
Weight training	760	8,060	3,166	0	5,654
H.S. student council	861	2,139	2,464	0	536
Art	416	0	0	0	416
H.S. special projects	1,059	6,050	3,093	0	4,016
Total	\$ 146,069	278,021	264,928	(9,521)	149,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND  
 JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales Tax	Total
<b>Assets</b>			
Cash and pooled investments	\$ 831	403,406	404,237
Due from other governments	0	166,433	166,433
<b>Total Assets</b>	<b>\$ 831</b>	<b>569,839</b>	<b>570,670</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 48,451	8,813	57,264
Total liabilities	48,451	8,813	57,264
Unreserved fund balances	(47,620)	561,026	513,406
<b>Total Liabilities and Fund Balances</b>	<b>\$ 831</b>	<b>569,839</b>	<b>570,670</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2009

	Capital Projects Fund		
	Building Projects	Statewide Sales Tax	Total
Revenues:			
Local sources:			
Local tax	\$ 0	1,100,985	1,100,985
Other	4,708	3,034	7,742
Total revenues	4,708	1,104,019	1,108,727
Expenditures:			
Current:			
Support services:			
Instructional staff	0	77,498	77,498
Adminstration	44,327	1,442	45,769
Operation and maintenance of plant	0	499	499
Transportation	4,979	0	4,979
Other expenditures:			
Facilities acquisitions	925,817	547,882	1,473,699
Total expenditures	975,123	627,321	1,602,444
Excess(Deficiency) of revenues over(under) expenditures	(970,415)	476,698	(493,717)
Other financing sources(uses):			
Transfer in	512,000	0	512,000
Transfer out	0	(661,217)	(661,217)
Compensation for loss of fixed assets	0	373,619	373,619
Total other financing sources(uses)	512,000	(287,598)	224,402
Excess(Deficiency) of revenues over(under) expenditures and other financing sources(uses)	(458,415)	189,100	(269,315)
Fund balance beginning of year	410,795	371,926	782,721
Fund balance end of year	\$ (47,620)	561,026	513,406

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 8,011,791	7,019,867	7,316,491	6,465,923	5,998,219	5,943,864
Tuition	1,139,145	1,157,107	1,015,877	1,044,679	858,968	754,831
Other	533,552	638,519	785,597	669,794	940,666	771,709
Intermediate sources	0	0	0	0	9,979	307
State sources	6,123,887	6,185,181	5,765,915	5,137,720	4,328,379	4,221,400
Federal sources	589,517	296,929	270,074	287,538	329,296	277,837
<b>Total</b>	<b>\$ 16,397,892</b>	<b>15,297,603</b>	<b>15,153,954</b>	<b>13,605,654</b>	<b>12,465,507</b>	<b>11,969,948</b>
Expenditures:						
Instruction:						
Regular	\$ 6,514,869	6,244,336	5,807,217	5,473,708	4,847,222	4,533,294
Special	2,007,652	1,729,998	1,760,360	2,269,295	1,420,136	2,011,736
Other	1,323,893	1,269,199	1,547,093	677,543	1,382,874	678,780
Support services:						
Student	269,104	297,877	246,762	253,540	237,723	219,502
Instructional	504,591	510,197	996,482	463,075	430,308	565,179
Administration	1,259,866	1,260,230	1,256,971	1,125,400	1,044,457	992,155
Operation and maintenance of plant	1,356,104	1,260,374	1,294,036	1,229,748	1,020,012	991,911
Transportation	297,655	548,002	582,402	337,107	218,652	237,016
Other support	0	0	0	0	0	3,816
Non-instructional programs	3,247	1,456	1,637	2,960	58,195	4,027
Other expenditures:						
Facilities acquisitions	1,560,060	788,895	674,669	433,222	337,955	1,707,704
Long Term Debt:						
Principal	741,501	749,217	600,000	915,000	890,000	860,000
Interest	235,961	230,645	347,247	471,358	408,703	437,458
AEA flow-through	510,399	485,234	459,361	404,912	361,008	355,163
<b>Total</b>	<b>\$ 16,584,902</b>	<b>15,375,660</b>	<b>15,574,237</b>	<b>14,056,868</b>	<b>12,657,245</b>	<b>13,597,741</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	\$ 23,189
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	<u>201,833</u>
			<u>225,022</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5877-G	83,113
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	5877-GC	<u>7,673</u>
			<u>90,786</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>9,006</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>3,185</u>
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	<u>114,986</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>42,850</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)	84.369	FY 09	<u>9,562</u>
NORTHWEST AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	<u>70,453</u>
TOTAL			<u>\$ 565,850</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sergeant Bluff-Luton Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

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

To the Board of Education of the  
Sergeant Bluff-Luton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sergeant Bluff-Luton Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sergeant Bluff-Luton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sergeant Bluff-Luton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sergeant Bluff-Luton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sergeant Bluff-Luton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sergeant Bluff-Luton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sergeant Bluff-Luton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

Sergeant Bluff-Luton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sergeant Bluff-Luton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sergeant Bluff-Luton Community School District and other parties to whom Sergeant Bluff-Luton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sergeant Bluff-Luton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2010

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

**Certified Public Accountants**

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117 West 3rd Street North, Newton, Iowa 50208-3050

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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Sergeant Bluff-Luton Community School District

Compliance

We have audited the compliance of Sergeant Bluff-Luton Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Sergeant Bluff-Luton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sergeant Bluff-Luton Community School District's management. Our responsibility is to express an opinion on Sergeant Bluff-Luton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sergeant Bluff-Luton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sergeant Bluff-Luton Community School District's compliance with those requirements.

In our opinion, Sergeant Bluff-Luton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Sergeant Bluff-Luton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Sergeant Bluff-Luton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sergeant Bluff-Luton Community School District and other parties to whom Sergeant Bluff-Luton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2010

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
  - Individual
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sergeant Bluff-Luton Community School District did not qualify as a low-risk auditee.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2009  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Federal Award Year: 2009  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District expenditures/expenses for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 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-09 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Chris Brown, Technology Director Partial owner of CPM Consulting	Purchased Services	\$863
John Baker, Board Member Partial owner of C.W. Suter Services	Repairs & Equipment (Bid)	\$114,210

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Chris Brown do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions to with John Baker do not appear to represent a conflict of interest.

IV-E-09 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-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 was overstated by 2.4 students. Supplementary weighting, Line 12, was understated by 1.05.

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

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

Conclusion - Response accepted.

- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			1,100,985
Expenditures/Transfer out:			
School infrastructure:			
Land	\$	397,110	
Buildings		631,013	
Equipment		72,862	1,100,985
			<u>1,100,985</u>
Ending Balance		\$	<u>0</u>

- IV-L-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The Board President, through board action, has designated the superintendent and athletic director to stamp officiating contracts on his/her behalf.

Conclusion - Response accepted.

- IV-M-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District has an interest account in the Student Activity Fund. It appears that interest earned has not been allocated for several years. Interest receipted into this account should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Currently, book fair fundraising for books is being recorded in the Student Activity Fund. The General Fund is the only allowable fund to purchase books. Book fair fundraising proceeds should be placed in the General Fund.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will comply with the recommendation.

Conclusion - Response accepted.