

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

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Independent Auditor's Report

To the Board of Education of
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, Iowa, as of and for the year ended June 30, 2010, 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 as of June 30, 2010, 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 reports dated March 30, 2011, 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, contract 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 39 through 41 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 opinions on the financial statements that collectively comprise Sergeant Bluff-Luton Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,558,548 in fiscal 2009 to \$13,779,280 in fiscal 2010, while General Fund expenditures increased from \$13,282,389 in fiscal 2009 to \$13,533,166 in fiscal 2010. The District's General Fund balance increased from \$1,134,510 in fiscal 2009 to \$1,387,124 in fiscal 2010, a 22% increase.
- General Fund revenues increased in total despite a 10% across the board cut in state foundation aid. The fiscal year 2010 increase in General Fund revenue was attributable to increases in property tax and federal grant revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the Board of Directors approved a cash reserve levy and approved expenditure cuts.

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 custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Sergeant Bluff-Luton Community School District Annual Financial Report

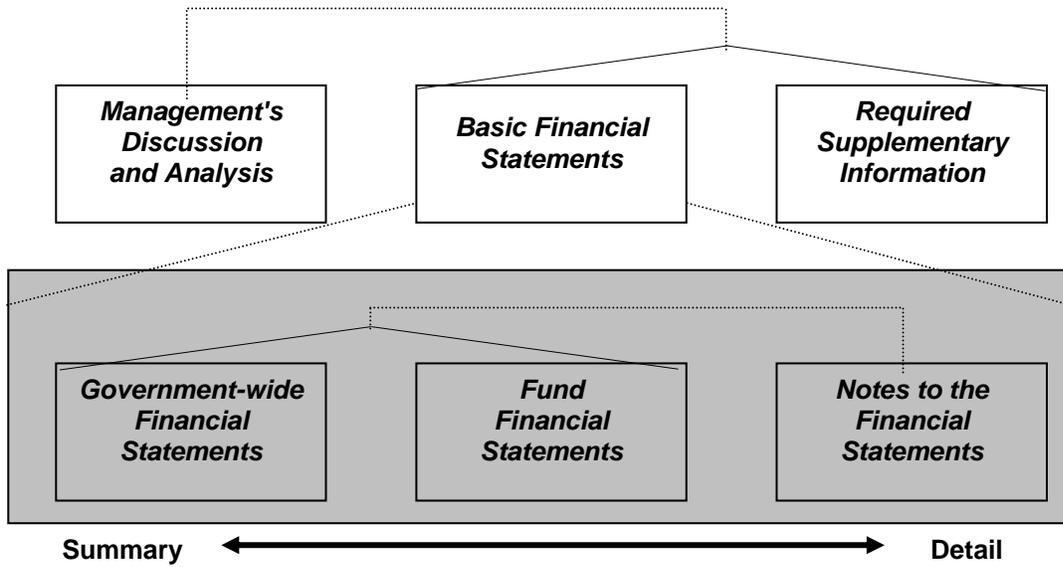


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING 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 financial 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:

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

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

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

- 1) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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 Fund, the School Nutrition Fund and Early Childhood Enterprises.
- 2) The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund 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, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	11,838,387	14,435,833	179,217	256,665	12,017,604	14,692,498	22%
Capital assets	18,398,525	18,254,618	42,926	24,715	18,441,451	18,279,333	-1%
Total assets	30,236,912	32,690,451	222,143	281,380	30,459,055	32,971,831	8%
Long-term liabilities	6,529,463	9,082,627	2,124	3,277	6,531,587	9,085,904	39%
Other liabilities	9,698,322	9,210,291	23,930	34,339	9,722,252	9,244,630	-5%
Total liabilities	16,227,785	18,292,918	26,054	37,616	16,253,839	18,330,534	13%
Net Assets:							
Invested in capital assets, net of related debt	12,426,671	7,407,558	42,926	24,715	12,469,597	7,432,273	-40%
Restricted	816,216	3,726,054	-	-	816,216	3,726,054	357%
Unrestricted	766,240	3,263,921	153,163	219,049	919,403	3,482,970	279%
TOTAL NET ASSETS	14,009,127	14,397,533	196,089	243,764	14,205,216	14,641,297	3%

The District's combined total net assets increased by nearly 3%, or approximately \$436,081, over 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 increased approximately \$2,909,838 or 357% over the prior year. The increase was primarily a result of issuing Sales Tax Revenue Bonds for the high school addition and remodel project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$2,563,567, or 279%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						Percentage Change 2009-2010 %
	Governmental Activities		Business-type Activities		Total School District		
	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	1,477,038	1,824,979	590,907	603,366	2,067,945	2,428,345	17%
Operating grants & contributions	2,035,504	2,661,247	240,027	257,429	2,275,531	2,918,676	28%
General Revenues:							
Property taxes	6,910,806	7,216,873	-	-	6,910,806	7,216,873	4%
Statewide sales and service tax	1,100,985	1,101,727	-	-	1,100,985	1,101,727	<1%
Unrestricted state grants	4,679,206	3,692,942	-	-	4,679,206	3,692,942	-21%
Unrestricted investment earnings	-	63,078	-	2,278	-	65,356	100%
Other revenue	244,983	13,478	1,969	-	246,952	13,478	-95%
Total Revenues	16,448,522	16,574,324	832,903	863,073	17,281,425	17,437,397	1%
Expenses:							
Instruction	10,131,658	10,518,175	-	-	10,131,658	10,518,175	4%
Support services	3,816,869	3,987,624	30,744	-	3,847,613	3,987,624	4%
Non-instructional programs	3,247	3,550	804,182	815,398	807,429	818,948	1%
Other expenditures	1,463,591	1,676,569	-	-	1,463,591	1,676,569	15%
Total expenses	15,415,365	16,185,918	834,926	815,398	16,250,291	17,001,316	5%
Change in net assets before extraordinary item	1,033,157	388,406	(2,023)	47,675	1,031,134	436,051	-58%
Compensation for loss of capital assets	386,317	-	-	-	386,317	-	-100%
CHANGE IN NET ASSETS	1,419,474	388,406	(2,023)	47,675	1,417,451	436,051	-70%
Net assets beginning of year	12,589,653	14,009,127	198,112	196,089	12,787,765	14,205,216	11%
Net assets end of year	14,009,127	14,397,533	196,089	243,764	14,205,216	14,641,297	3%

In fiscal year 2010 property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16,574,324 and expenses were \$16,185,918. 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 Cost of Services			Net Cost of Services		
	2009	2010	Percent Change 2009-2010	2009	2010	Percent Change 2009-2010
	\$	\$	%	\$	\$	%
Instruction	10,131,658	10,518,175	4%	7,150,529	6,634,258	-7%
Support Services	3,816,869	3,987,624	4%	3,795,855	3,948,042	4%
Non-instructional Programs	3,247	3,550	9%	3,247	3,550	9%
Other Expenses	1,463,591	1,676,569	15%	953,192	1,113,842	17%
TOTAL	15,415,365	16,185,918	5%	11,902,823	11,699,692	-2%

For the year ended June 30, 2010

- The cost financed by users of the District’s programs was \$1,824,979. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,661,247.
- The net cost of governmental activities was financed with \$8,318,600 in property and local other taxes and \$3,692,942 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$863,073 and expenses were \$815,398. 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, 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 a combined fund balance of \$5,272,031, well above last year’s ending fund balances of \$2,157,503. However, the primary reason for the increase in combined fund balances in fiscal 2010 is the issuance of \$2,710,000 in Sales Tax Revenue Bonds.

Governmental Fund Highlights

- The District’s increasing General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$1,134,510 to \$1,387,124.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$62,326 in fiscal 2009 to \$79,998 in fiscal 2010.
- The Capital Projects Fund balance increased due to the sale of \$2,710,000 sales tax revenue bonds during fiscal 2010. The District ended fiscal 2009 with \$513,406. Fiscal 2010 ended with a balance of \$3,082,060, consisting primarily of unexpended bond proceeds which will be expended as the high school addition and remodeling project is completed.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$108,746 at June 30, 2009 to \$140,585 at June 30, 2010, representing an increase of approximately 29%. For fiscal 2010, the District received increase in federal funding of \$25,602 resulting in the increase in net assets. The Early Childhood Enterprises net assets increased from \$87,343 in 2009 to 103,179 in 2010 representing an increase of approximately 18%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its annual budget one time increasing expenditures by \$2,275,559 due to constructions costs late in the year.

The District's receipts were \$667,767 less than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditure functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$18.3 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 represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$702,197.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$112,701 at June 30, 2010 compared to \$16,323 reported at June 30, 2009

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2009-2010
	Activities		Activities		School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	%
Land	823,906	823,906	-	-	823,906	823,906	0%
Construction in progress	16,323	112,701	-	-	16,323	112,701	590%
Buildings	16,149,103	15,866,737	-	-	16,149,103	15,866,737	-2%
Improvements	694,675	571,799	-	-	694,675	571,799	-18%
Equipment & furniture	714,518	879,475	42,926	24,715	757,444	904,190	19%
TOTAL	18,398,525	18,254,618	42,926	24,715	18,441,451	18,279,333	-1%

Long-Term Debt

At June 30, 2010 the District had \$9,082,627 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 39% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In May 2010 the District issued \$2,710,000 in sales tax revenue bonds to pay for construction of an addition and remodeling of the high school building.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage
	2009	2010	Change
	\$	\$	2009-2010
			%
General obligation bonds	5,690,000	5,055,000	-11%
Revenue bonds	-	2,710,000	100%
Computer lease	274,885	141,225	-49%
Termination benefits	303,285	614,999	103%
Net OPEB liability	261,293	561,403	115%
	<u>6,529,463</u>	<u>9,082,627</u>	<u>39%</u>

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 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 the state level will affect future projections. The District has been forced to shift funding to property tax.
- The Board of Education will continue to evaluate cost saving measures for implementation to ensure the financial stability of our District.
- The Southbridge economic development project will increase our Debt Service and PPEL property tax valuation.

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, 201 Port Neal Road, Sergeant Bluff, IA 51054.

BASIC FINANCIAL STATEMENTS

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	6,177,727	238,068	6,415,795
Receivables:			
Property tax:			
Delinquent	45,103	-	45,103
Succeeding year	7,418,082	-	7,418,082
Accounts	803	231	1,034
Due from other governments	746,377	-	746,377
Inventories	-	18,366	18,366
Unamortized bond issue costs	47,741	-	47,741
Capital assets, net of accumulated depreciation	<u>18,254,618</u>	<u>24,715</u>	<u>18,279,333</u>
Total assets	<u>32,690,451</u>	<u>281,380</u>	<u>32,971,831</u>
Liabilities			
Accounts payable	164,951	-	164,951
Salaries and benefits payable	1,418,014	15,891	1,433,905
Due to other governments	72,134	-	72,134
Accrued interest payable	30,473	-	30,473
Deferred revenue:			
Succeeding year property tax	7,418,082	-	7,418,082
Other	42,880	18,448	61,328
Unamortized bond premium	63,757	-	63,757
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	685,000	-	685,000
Capital leases	141,225	-	141,225
Termination benefits	115,792	-	115,792
Portion due after one year:			
General obligation bonds payable	4,370,000	-	4,370,000
Revenue bonds payable	2,710,000	-	2,710,000
Termination benefits	499,207	-	499,207
Net OPEB liability	<u>561,403</u>	<u>3,277</u>	<u>564,680</u>
Total liabilities	<u>18,292,918</u>	<u>37,616</u>	<u>18,330,534</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type</u>	<u>Total</u>
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	13,058,393	24,715	13,083,108
Restricted for:			
Categorical funding	149,134	-	149,134
Physical plant and equipment levy	79,998	-	79,998
Other special revenue purposes	137,318	-	137,318
Sales tax capital projects	372,060	-	372,060
Debt service	247,071	-	247,071
Unrestricted	<u>353,559</u>	<u>219,049</u>	<u>572,608</u>
Total net assets	<u><u>14,397,533</u></u>	<u><u>243,764</u></u>	<u><u>14,641,297</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	6,930,184	1,299,250	1,521,207	-
Special	2,049,544	218,332	430,731	-
Other	1,538,447	282,033	132,364	-
	<u>10,518,175</u>	<u>1,799,615</u>	<u>2,084,302</u>	<u>-</u>
Support services:				
Student	268,944	-	-	-
Instructional staff	655,825	-	-	-
Administration	1,241,450	-	-	-
Operation and maintenance of plant	1,453,051	13,799	-	-
Transportation	368,354	10,565	15,218	-
	<u>3,987,624</u>	<u>24,364</u>	<u>15,218</u>	<u>-</u>
Non-instructional programs	<u>3,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	304,883	1,000	-	-
Long-term debt interest	269,954	-	-	-
AEA flowthrough	561,727	-	561,727	-
Depreciation (unallocated)*	540,005	-	-	-
	<u>1,676,569</u>	<u>1,000</u>	<u>561,727</u>	<u>-</u>
Total governmental activities	<u>16,185,918</u>	<u>1,824,979</u>	<u>2,661,247</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	612,899	386,494	257,429	-
Daycare	202,499	216,872	-	-
Total business-type activities	<u>815,398</u>	<u>603,366</u>	<u>257,429</u>	<u>-</u>
Total	<u>17,001,316</u>	<u>2,428,345</u>	<u>2,918,676</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(4,109,727)	-	(4,109,727)
(1,400,481)	-	(1,400,481)
(1,124,050)	-	(1,124,050)
<u>(6,634,258)</u>	<u>-</u>	<u>(6,634,258)</u>
(268,944)	-	(268,944)
(655,825)	-	(655,825)
(1,241,450)	-	(1,241,450)
(1,439,252)	-	(1,439,252)
(342,571)	-	(342,571)
<u>(3,948,042)</u>	<u>-</u>	<u>(3,948,042)</u>
(3,550)	-	(3,550)
(303,883)	-	(303,883)
(269,954)	-	(269,954)
-	-	-
(540,005)	-	(540,005)
<u>(1,113,842)</u>	<u>-</u>	<u>(1,113,842)</u>
<u>(11,699,692)</u>	<u>-</u>	<u>(11,699,692)</u>
-	31,024	31,024
-	14,373	14,373
-	45,397	45,397
<u>(11,699,692)</u>	<u>45,397</u>	<u>(11,654,295)</u>
6,195,720	-	6,195,720
831,790	-	831,790
189,363	-	189,363
1,101,727	-	1,101,727
3,692,942	-	3,692,942
63,078	2,278	65,356
13,478	-	13,478
<u>12,088,098</u>	<u>2,278</u>	<u>12,090,376</u>
388,406	47,675	436,081
<u>14,009,127</u>	<u>196,089</u>	<u>14,205,216</u>
<u>14,397,533</u>	<u>243,764</u>	<u>14,641,297</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,351,287	3,015,173	282,287	528,980	6,177,727
Receivables:					
Property tax:					
Delinquent	36,923	-	4,857	3,323	45,103
Succeeding year	5,990,728	-	830,087	597,267	7,418,082
Accounts	803	-	-	-	803
Due from other governments	572,090	174,287	-	-	746,377
Total assets	8,951,831	3,189,460	1,117,231	1,129,570	14,388,092
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	45,711	107,400	9,600	2,240	164,951
Salaries and benefits payable	1,418,014	-	-	-	1,418,014
Due to other governments	72,134	-	-	-	72,134
Deferred revenue:					
Succeeding year property tax	5,990,728	-	830,087	597,267	7,418,082
Other	38,120	-	-	4,760	42,880
Total liabilities	7,564,707	107,400	839,687	604,267	9,116,061
Fund balances:					
Reserved for:					
Categorical funding	149,134	-	-	-	149,134
Debt service	-	-	277,544	-	277,544
Unreserved reported in:					
General fund	1,237,990	-	-	-	1,237,990
Special revenue funds	-	-	-	525,303	525,303
Capital projects funds	-	3,082,060	-	-	3,082,060
Total fund balances	1,387,124	3,082,060	277,544	525,303	5,272,031
Total liabilities and fund balances	8,951,831	3,189,460	1,117,231	1,129,570	14,388,092

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

\$

Total fund balances of governmental funds (Exhibit C)	5,272,031
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	18,254,618
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(30,473)
Long-term liabilities, including bonds payable, termination benefits, 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.	<u>(9,098,643)</u>
Net assets of governmental activities (Exhibit A)	<u><u>14,397,533</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	5,844,758	1,101,727	831,790	540,325	8,318,600
Tuition	1,365,379	-	-	-	1,365,379
Other	215,237	15,031	6,919	301,342	538,529
State sources	5,143,019	-	165	116	5,143,300
Federal sources	1,210,887	-	-	-	1,210,887
Total revenues	<u>13,779,280</u>	<u>1,116,758</u>	<u>838,874</u>	<u>841,783</u>	<u>16,576,695</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,339,541	-	-	172,146	6,511,687
Special	1,985,272	11,805	-	-	1,997,077
Other	1,285,857	-	-	293,612	1,579,469
	<u>9,610,670</u>	<u>11,805</u>	<u>-</u>	<u>465,758</u>	<u>10,088,233</u>
Support services:					
Student	259,643	-	-	5,104	264,747
Instructional staff	480,091	161,278	-	3,963	645,332
Administration	1,179,209	1,564	-	36,808	1,217,581
Operation and maintenance of plant	1,166,814	54,506	-	192,874	1,414,194
Transportation	275,012	1,000	-	91,151	367,163
	<u>3,360,769</u>	<u>218,348</u>	<u>-</u>	<u>329,900</u>	<u>3,909,017</u>
Non-instructional programs	-	-	-	3,550	3,550
Other expenditures:					
Facilities acquisition	-	631,088	-	13,157	644,245
Long-term debt:					
Principal	-	-	5,823,661	-	5,823,661
Interest and fiscal charges	-	-	256,919	-	256,919
AEA flowthrough	561,727	-	-	-	561,727
	<u>561,727</u>	<u>631,088</u>	<u>6,080,580</u>	<u>13,157</u>	<u>7,286,552</u>
Total expenditures	<u>13,533,166</u>	<u>861,241</u>	<u>6,080,580</u>	<u>812,365</u>	<u>21,287,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,114</u>	<u>255,517</u>	<u>(5,241,706)</u>	<u>29,418</u>	<u>(4,710,657)</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General Fund	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	-	35,000	-	-	35,000
Bonds issued	-	2,710,000	-	-	2,710,000
Refunding bonds issued	-	-	5,055,000	-	5,055,000
Bond premium	-	9,969	64,414	-	74,383
Bond issue costs	-	(21,615)	(34,083)	-	(55,698)
Sales of materials and equipment	6,500	-	-	-	6,500
Operating transfers in	-	140,131	420,217	-	560,348
Operating transfers out	-	(560,348)	-	-	(560,348)
Total other financing sources (uses)	<u>6,500</u>	<u>2,313,137</u>	<u>5,505,548</u>	<u>-</u>	<u>7,825,185</u>
Net change in fund balances	252,614	2,568,654	263,842	29,418	3,114,528
Fund balances beginning of year	<u>1,134,510</u>	<u>513,406</u>	<u>13,702</u>	<u>495,885</u>	<u>2,157,503</u>
Fund balances end of year	<u><u>1,387,124</u></u>	<u><u>3,082,060</u></u>	<u><u>277,544</u></u>	<u><u>525,303</u></u>	<u><u>5,272,031</u></u>

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, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		3,114,528
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(46,539)	
Expenditures for capital assets	586,618	
Depreciation expense	<u>(683,986)</u>	(143,907)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		5,807,644
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.		(13,035)
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 funds, as follows:		
Termination benefits	(311,714)	
Other postemployment benefits	<u>(300,110)</u>	(611,824)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(7,765,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>388,406</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Total Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	238,068
Accounts receivable	231
Inventories	18,366
Capital assets, net of accumulated depreciation	<u>24,715</u>
Total assets	<u>281,380</u>
Liabilities	
Salaries and benefits payable	15,891
Deferred revenue	18,448
Net OPEB liability	<u>3,277</u>
Total liabilities	<u>37,616</u>
Net assets	
Invested in capital assets	24,715
Unrestricted	<u>219,049</u>
Total net assets	<u><u>243,764</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	Total Enterprise Funds \$
Operating revenue:	
Local sources:	
Charges for service	<u>603,366</u>
Operating expenses:	
Non-instructional programs:	
Salaries	385,476
Benefits	71,016
Purchased services	11,449
Supplies	329,246
Depreciation	18,211
	<u>815,398</u>
Operating gain (loss)	<u>(212,032)</u>
Non-operating revenue:	
State sources	6,805
Federal sources	250,624
Interest income	2,278
Total non-operating revenue	<u>259,707</u>
Change in net assets	47,675
Net assets beginning of year	<u>196,089</u>
Net assets end of year	<u><u>243,764</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Total Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	394,111
Cash received from miscellaneous operating activities	216,641
Cash payments to employees for services	(451,478)
Cash payments to suppliers for goods or services	<u>(288,522)</u>
Net cash used by operating activities	<u>(129,248)</u>
Cash flows from non-capital financing activities:	
State grants received	6,805
Federal grants received	<u>197,090</u>
Net cash provided by non-capital financing activities	<u>203,895</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>2,278</u>
Net increase (decrease) in cash and cash equivalents	76,925
Cash and cash equivalents at beginning of year	<u>161,143</u>
Cash and cash equivalents at end of year	<u><u>238,068</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(212,032)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	53,534
Depreciation	18,211
Decrease (increase) in inventories	(1,311)
Decrease (increase) in accounts receivable	788
(Decrease) increase in accounts payable	(50)
(Decrease) increase in salaries and benefits payable	3,861
(Decrease) increase in other postemployment benefits	1,153
(Decrease) increase in deferred revenue	<u>6,598</u>
Net cash used by operating activities	<u><u>(129,248)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$53,534 of federal commodities.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

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. The geographic area served includes the Cities of Sergeant Bluff and Luton, Iowa and the predominately agricultural territory in a portion of 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 that 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 County Assessor's 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but which 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 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Enterprises Fund. This 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, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgements, 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 the 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 fund 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 Equity

The following accounting policies are followed in preparing the balance sheet:

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, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009, through June 30, 2010, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, furniture and equipment and intangibles, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-20 years
Furniture and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 Equity – 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, 2010, the District exceeded the budget in the other expenditures function.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	19,804
Direct Government Obligations Portfolio	<u>271,822</u>
	<u>291,626</u>

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

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Capital Projects Fund Statewide Sales Tax	Capital Project Fund Building Projects	140,131
Debt Service Fund	Capital Projects Fund Statewide Sales Tax	420,217

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	-	-	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	-	-	-

During the year ended June 30, 2010, the District paid \$4,974 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	16,323	96,378	-	112,701
Land	823,906	-	-	823,906
Total capital assets not being depr.	<u>840,229</u>	<u>96,378</u>	<u>-</u>	<u>936,607</u>
Capital assets being depreciated:				
Buildings	24,769,501	210,987	17,245	24,963,243
Improvements other than buildings	1,750,464	31,999	210,757	1,571,706
Furniture and equipment	1,263,336	247,254	(119,070)	1,629,660
Total capital assets being deprec.	<u>27,783,301</u>	<u>490,240</u>	<u>108,932</u>	<u>28,164,609</u>
Less accumulated depreciation for:				
Buildings	8,620,398	482,883	6,775	9,096,506
Improvements other than buildings	1,055,789	57,122	113,004	999,907
Furniture and equipment	548,818	143,981	(57,386)	750,185
Total accumulated depreciation	<u>10,225,005</u>	<u>683,986</u>	<u>62,393</u>	<u>10,846,598</u>
Total capital assets being depreciated, net	<u>17,558,296</u>	<u>(193,746)</u>	<u>46,539</u>	<u>17,318,011</u>
Governmental activities capital assets, net	<u>18,398,525</u>	<u>(97,368)</u>	<u>46,539</u>	<u>18,254,618</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	413,898	-	-	413,898
Less accumulated depreciation	<u>370,972</u>	<u>18,211</u>	<u>-</u>	<u>389,183</u>
Business type activities capital assets, net	<u>42,926</u>	<u>(18,211)</u>	<u>-</u>	<u>24,715</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	28,826
Other	18,485
Support services:	
Administration services	784
Operation and maintenance of plant services	17,247
Transportation	78,639
	<u>143,981</u>
Unallocated depreciation	<u>540,005</u>
Total depreciation expense – governmental activities	<u>683,986</u>
Business type activities:	
Food services	<u>18,211</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	5,690,000	5,055,000	5,690,000	5,055,000	685,000
Revenue Bonds	-	2,710,000	-	2,710,000	-
Computer Lease	274,885	-	133,660	141,225	141,225
Termination benefits	303,285	470,442	158,728	614,999	115,792
Net OPEB liability	261,293	300,110	-	561,403	-
Total	6,529,463	8,535,552	5,982,388	9,082,627	942,017
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	2,124	1,153	-	3,277	-

Termination Benefits

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.

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.

At June 30, 2010, the District has obligations to 18 participants with a total liability of \$614,999. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$158,728.

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of May, 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	1.500-2.000	685,000	117,087	802,087
2012	2.000	720,000	94,775	814,775
2013	2.000-2.250	745,000	80,275	825,275
2014	2.250	750,000	63,919	813,919
2015	2.250	775,000	47,044	822,044
2016-2017	2.250-2.700	1,380,000	40,852	1,420,852
		<u>5,055,000</u>	<u>443,952</u>	<u>5,498,952</u>

Bond Refunding

On May 2010, the District issued \$5,055,000 of general obligation refunding bonds with interest rates from 1.5% to 2.7%. The District issued the bonds to refund \$5,055,000 of the outstanding July, 2005 general obligation refunding bonds with interest rates of 3.125% to 3.7%. The District used the net proceeds to call and pay the balance of the 2005 issue.

The refunding reduced total debt service payments over the next seven years by \$301,597. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$246,881.

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	2.000	-	48,292	48,292
2012	2.000	240,000	70,038	310,038
2013	2.000	250,000	65,138	315,138
2014	2.000	255,000	60,087	315,087
2015	2.000	260,000	54,937	314,937
2016-2020	2.300-3.400	1,395,000	168,221	1,563,221
2021	3.600	<u>310,000</u>	<u>5,580</u>	<u>315,580</u>
		<u>2,710,000</u>	<u>472,293</u>	<u>3,182,293</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,710,000 bonds issued in May 2010. The bonds were issued for the purpose of financing a portion of the costs of an addition/remodel project at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$271,000 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

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 to be made from the Capital Projects, Statewide Sales Tax are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2011	3.70	141,225	7,992	149,217

During the year ended June 30, 2010, the District made principal and interest payments totaling \$149,217 under the note agreements.

7. 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 that 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$614,965, \$550,905, and \$494,490 respectively, equal to the required contributions for each year.

8. 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.

9. 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 \$561,727 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling \$2,473,855 for remodeling. As of June 30, 2010 costs of \$187,243 had been incurred against the contracts. The balances remaining at June 30, 2010 will be paid as work on the project progresses.

11. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 144 active and 18 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	474,334
Interest on net OPEB obligation	5,820
Adjustment to annual required contribution	<u>(12,278)</u>
Annual OPEB cost	467,876
Contributions made	<u>(166,433)</u>
Increase in net OPEB obligation	301,443
Net OPEB obligation beginning of year	<u>263,417</u>
Net OPEB obligation end of year	<u>564,860</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$166,433 to the medical plan. Plan members eligible for benefits contributed \$15,410 or 9.3%.

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, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
June 30, 2010	467,876	35%	564,860

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$3,840,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,840,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,900,000, and the ratio of the UAAL to covered payroll was 48.6%. As of June 30, 2010, 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

The UAAL is being amortized as a level percentage over 30 years.

12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Teacher salary supplement	61,464
Home school assistance program	4,482
Educator quality, professional development	83,188
	149,134

REQUIRED SUPPLEMENTARY INFORMATION

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Amended Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	10,222,508	605,644	10,828,152	10,662,930	10,662,930	165,222
State sources	5,143,300	6,805	5,150,105	6,891,625	6,891,625	(1,741,520)
Federal sources	1,210,887	250,624	1,461,511	552,980	552,980	908,531
Total revenues	<u>16,576,695</u>	<u>863,073</u>	<u>17,439,768</u>	<u>18,107,535</u>	<u>18,107,535</u>	<u>(667,767)</u>
Expenditures/Expenses:						
Instruction	10,088,233	-	10,088,233	10,331,497	10,931,497	843,264
Support services	3,909,017	-	3,909,017	4,911,091	5,011,091	1,102,074
Non-instructional programs	3,550	815,398	818,948	825,687	1,225,687	406,739
Other expenditures	7,286,552	-	7,286,552	2,518,029	3,693,588	(3,592,964)
Total expenditures/expenses	<u>21,287,352</u>	<u>815,398</u>	<u>22,102,750</u>	<u>18,586,304</u>	<u>20,861,863</u>	<u>(1,240,887)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,710,657)	47,675	(4,662,982)	(478,769)	(2,754,328)	(1,908,654)
Other financing sources (uses) net	<u>7,825,185</u>	<u>-</u>	<u>7,825,185</u>	<u>-</u>	<u>-</u>	<u>7,825,185</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	3,114,528	47,675	3,162,203	(478,769)	(2,754,328)	5,916,531
Balance beginning of year	<u>2,157,503</u>	<u>196,089</u>	<u>2,353,592</u>	<u>2,368,745</u>	<u>2,368,745</u>	<u>(15,153)</u>
Balance end of year	<u>5,272,031</u>	<u>243,764</u>	<u>5,515,795</u>	<u>1,889,976</u>	<u>(385,583)</u>	<u>5,901,378</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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 Internal Service, 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 the 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 \$2,275,559.

The District exceeded its budget in the other expenditures function.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2009	-	3,840,000	3,840,000	0.0%	9,011,000	42.6%
2010	July 1, 2009	-	3,840,000	3,840,000	0.0%	7,900,000	48.6%

See Note 11 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, 2010

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	305,770	144,318	78,892	528,980
Receivables:				
Property tax:				
Delinquent	2,217	-	1,106	3,323
Succeeding year	407,715	-	189,552	597,267
Total assets	715,702	144,318	269,550	1,129,570
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	2,240	-	2,240
Deferred revenue:				
Succeeding year property tax	407,715	-	189,552	597,267
Other	-	4,760	-	4,760
Total liabilities	407,715	7,000	189,552	604,267
Fund balances:				
Unreserved reported in:				
Special revenue funds	307,987	137,318	79,998	525,303
Total liabilities and fund balances	715,702	144,318	269,550	1,129,570

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	350,962	-	189,363	540,325
Other	19,026	281,289	1,027	301,342
State sources	78	-	38	116
Total revenues	<u>370,066</u>	<u>281,289</u>	<u>190,428</u>	<u>841,783</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	172,146	-	-	172,146
Other instruction	-	293,612	-	293,612
Support services:				
Student services	5,104	-	-	5,104
Instructional staff services	2,882	-	1,081	3,963
Administration services	21,413	-	15,395	36,808
Operation and maintenance of plant services	131,187	-	61,687	192,874
Transportation services	9,715	-	81,436	91,151
Non-instructional programs	3,550	-	-	3,550
Other expenditures:				
Facilities acquisition	-	-	13,157	13,157
Total expenditures	<u>345,997</u>	<u>293,612</u>	<u>172,756</u>	<u>812,365</u>
Net change in fund balances	24,069	(12,323)	17,672	29,418
Fund balances beginning of year	<u>283,918</u>	<u>149,641</u>	<u>62,326</u>	<u>495,885</u>
Fund balances end of year	<u><u>307,987</u></u>	<u><u>137,318</u></u>	<u><u>79,998</u></u>	<u><u>525,303</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		Total
	School Nutrition	Early Childhood Enterprises	
	\$	\$	\$
Assets			
Cash and cash equivalents	127,250	110,818	238,068
Accounts receivable	-	231	231
Inventories	18,366	-	18,366
Capital assets, net of accumulated depreciation	24,715	-	24,715
Total assets	170,331	111,049	281,380
Liabilities			
Salaries and benefits payable	8,021	7,870	15,891
Deferred revenue	18,448	-	18,448
Net OPEB liability	3,277	-	3,277
Total liabilities	29,746	7,870	37,616
Net assets			
Invested in capital assets	24,715	-	24,715
Unrestricted	115,870	103,179	219,049
Total net assets	140,585	103,179	243,764

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		Total
	School Nutrition	Early Childhood Enterprises	
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	<u>386,494</u>	<u>216,872</u>	<u>603,366</u>
Operating expenses:			
Non-instructional programs:			
Salaries	228,367	157,109	385,476
Benefits	43,189	27,827	71,016
Purchased services	7,858	3,591	11,449
Supplies	315,274	13,972	329,246
Depreciation	18,211	-	18,211
Total operating expenses	<u>612,899</u>	<u>202,499</u>	<u>815,398</u>
Operating gain (loss)	<u>(226,405)</u>	<u>14,373</u>	<u>(212,032)</u>
Non-operating revenue:			
State sources	6,805	-	6,805
Federal sources	250,624	-	250,624
Interest income	815	1,463	2,278
Total non-operating revenue	<u>258,244</u>	<u>1,463</u>	<u>259,707</u>
Change in net assets	31,839	15,836	47,675
Net assets beginning of year	<u>108,746</u>	<u>87,343</u>	<u>196,089</u>
Net assets end of year	<u>140,585</u>	<u>103,179</u>	<u>243,764</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		Total
	School Nutrition	Early Childhood Enterprises	
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	394,111	-	394,111
Cash received from daycare services	-	216,641	216,641
Cash payments to employees for services	(267,572)	(183,906)	(451,478)
Cash payments to suppliers for goods or services	(270,909)	(17,613)	(288,522)
Net cash (used by) provided by operating activities	<u>(144,370)</u>	<u>15,122</u>	<u>(129,248)</u>
Cash flows from non-capital financing activities:			
State grants received	6,805	-	6,805
Federal grants received	197,090	-	197,090
Net cash provided by non-capital financing activities	<u>203,895</u>	<u>-</u>	<u>203,895</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>815</u>	<u>1,463</u>	<u>2,278</u>
Net increase (decrease) in cash and cash equivalents	60,340	16,585	76,925
Cash and cash equivalents at beginning of year	<u>66,910</u>	<u>94,233</u>	<u>161,143</u>
Cash and cash equivalents at end of year	<u><u>127,250</u></u>	<u><u>110,818</u></u>	<u><u>238,068</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(226,405)	14,373	(212,032)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	53,534	-	53,534
Depreciation	18,211	-	18,211
Decrease (increase) in inventories	(1,311)	-	(1,311)
Decrease (increase) in accounts receivable	1,019	(231)	788
(Decrease) increase in accounts payable	-	(50)	(50)
(Decrease) increase in salaries and benefits payable	1,885	1,976	3,861
(Decrease) increase in other postemployment benefits	2,099	(946)	1,153
(Decrease) increase in deferred revenue	6,598	-	6,598
Net cash (used by) provided by operating activities	<u><u>(144,370)</u></u>	<u><u>15,122</u></u>	<u><u>(129,248)</u></u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Unallocated interest	12,879	2,466	9,286	6,059
Field trips	188	5	-	193
Quiz bowl	4	-	-	4
Parent-teacher organization	123	-	-	123
After school activities	1,999	-	1,034	965
Primary special projects	6,854	4,723	3,375	8,202
Elementary instrumental music	3	52	-	55
Elementary special projects	5,272	2,940	3,622	4,590
Elementary vocal music	395	-	-	395
Instrumental music	741	-	59	682
Jr. high football	849	450	419	880
Jr. high boys track	1,044	-	-	1,044
Jr. high wrestling	25	-	-	25
Jr. high girls basketball	77	-	-	77
Jr. high volleyball	305	-	-	305
Jr. high girls track	1,201	837	908	1,130
6th grade class	647	1,433	521	1,559
Music magazine sales	170	4,064	2,501	1,733
Jr. high cheerleaders	1,311	-	16	1,295
Jr. high yearbook	2,318	3,915	4,473	1,760
L.A. experience	1,004	-	363	641
Jr. high athletics/juice	6,398	2,843	5,746	3,495
Student council	291	308	77	522
Middle school projects	11,219	3,228	5,156	9,291
Theater/plays	923	1,460	1,724	659
Speech	-	4,557	4,527	30
Music trip/fundraisers	2,853	6,950	4,577	5,226
Instrumental music	1,057	1,338	496	1,899
Athletics	17,737	80,776	82,852	15,661
Cross country	643	2,528	2,467	704
Boys basketball	3,273	3,208	4,489	1,992
Football	7,463	39,431	38,633	8,261
Boys soccer	96	-	-	96
Baseball	2,352	-	478	1,874
Boys track	361	2,257	1,933	685
Wrestling	6,969	10,021	8,571	8,419
Girls basketball	2,514	6,816	5,274	4,056
Volleyball	1,285	6,725	5,776	2,234
Girls soccer	1,245	1,617	2,534	328

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Softball	106	78	184	-
Girls track	1	2,214	1,854	361
National Honor Society	-	1,000	-	1,000
History/literature renaissance	184	200	16	368
Class of 2010	8,734	470	5,657	3,547
Class of 2011	1,495	20,575	17,040	5,030
Class of 2012	317	580	645	252
Class of 2013	-	591	-	591
Select vocal fundraisers	3,418	8,141	6,823	4,736
HS solo/ensemble contest	1,870	1,542	2,251	1,161
S.T.E.P.	1,022	-	-	1,022
Cheerleaders	1,209	5,306	4,082	2,433
Dance team	5,075	10,831	15,575	331
Spirit council	658	-	-	658
High school yearbook	10,638	14,434	15,598	9,474
Senior composite fees	204	1,655	1,520	339
Weight training	5,654	7,670	12,160	1,164
JEL	-	900	-	900
H.S. student council	536	1,991	1,611	916
Art	416	-	-	416
H.S. special projects	4,016	8,163	6,709	5,470
	<u>149,641</u>	<u>281,289</u>	<u>293,612</u>	<u>137,318</u>
Total	<u>149,641</u>	<u>281,289</u>	<u>293,612</u>	<u>137,318</u>

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	8,318,600	8,011,791	7,019,867	7,316,491	6,465,923	5,998,219	5,943,864
Tuition	1,365,379	1,139,145	1,157,107	1,015,877	1,044,679	858,968	754,831
Other	538,529	533,552	638,519	785,597	669,794	940,666	771,709
Intermediate sources	-	-	-	-	-	9,979	307
State sources	5,143,300	6,123,887	6,185,181	5,765,915	5,137,720	4,328,379	4,221,400
Federal sources	1,210,887	589,517	296,929	270,074	287,538	329,296	277,837
Total revenues	16,576,695	16,397,892	15,297,603	15,153,954	13,605,654	12,465,507	11,969,948
Expenditures:							
Instruction:							
Regular instruction	6,511,687	6,514,869	6,244,336	5,807,217	5,473,708	4,847,222	4,533,294
Special instruction	1,997,077	2,007,652	1,729,998	1,760,360	2,269,295	1,420,136	2,011,736
Other instruction	1,579,469	1,323,893	1,269,199	1,547,093	677,543	1,382,874	678,780
Support services:							
Student services	264,747	269,104	297,877	246,762	253,540	237,723	219,502
Instructional staff services	645,332	504,591	510,197	996,482	463,075	430,308	565,179
Administration services	1,217,581	1,259,866	1,260,230	1,256,971	1,125,400	1,044,457	992,155
Operation and maintenance	1,414,194	1,356,104	1,260,374	1,294,036	1,229,748	1,020,012	991,911
Transportation services	367,163	297,655	548,002	582,402	337,107	218,652	237,016
Central support services	-	-	-	-	-	-	3,816
Non-instructional programs	3,550	3,247	1,456	1,637	2,960	58,195	4,027
Other expenditures:							
Facilities acquisition	644,245	1,560,060	788,895	674,669	433,222	337,955	1,707,704
Long-term debt:							
Principal	5,823,661	741,501	749,217	600,000	915,000	890,000	860,000
Interest and other charges	256,919	235,961	230,645	347,247	471,358	408,703	437,458
AEA flowthrough	561,727	510,399	485,234	459,361	404,912	361,008	355,163
Total expenditures	21,287,352	16,584,902	15,375,660	15,574,237	14,056,868	12,657,245	13,597,741

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	22,381
National School Lunch Program (non-cash)	10.555	FY10	53,534
National School Lunch Program	10.555	FY10	174,709
			<u>250,624</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	88,679
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	38,862
			<u>127,541</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	7,574
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	2,863
Advanced Placement Program	84.330	FY10	56
Improving Teacher Quality State Grants	84.367	FY10	41,095
Grants for State Assessments and Related Activities	84.369	FY10	9,568
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	596,995
Northwest Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	69,666
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	174,749
			<u>244,415</u>
U.S. Department Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance	97.036	FY10	1,035
Total			<u><u>1,281,766</u></u>

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

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
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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2011. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be material weaknesses.

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, 2010 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 and Questioned Costs. 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, and 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2011

Gary E. Horton CPA

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Independent Auditor's Report on Compliance with Requirements that Could Have a Direct
and Material Effect on Each Major Program and on 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 Sergeant Bluff-Luton Community School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sergeant Bluff-Luton Community School District's major federal programs for the year ended June 30, 2010. Sergeant Bluff-Luton Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 grants 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as 10-III-A 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. 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, and is not intended to be and should not be used by anyone other than these specified parties.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 30, 2011

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster
 - CFDA Number 84.027 – Special Education Grants to States
 - CFDA Number 84.391 – ARRA – Special Education Grants to States, Recovery Act
- (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, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

10-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education – Grants to States
CFDA Number 84.391: ARRA – Special Education Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through Northwest Area Education Agency

10-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparation and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010 exceeded the amended amounts budgeted in the other expenditures function.

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

District Response: The amended budget was exceeded due to the refinancing of our general obligation bonds.

Conclusion: Response accepted.

10-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

10-IV-C Travel Expenses: 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.

10-IV-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
John Baker, Board Member Owner C.W Suter	Repairs & Equipment (bid)	45,863

Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500.

10-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

10-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.

10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-IV-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

10-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

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

10-IV-K Categorical Funding: Categorical Funding –No instances were noted of categorical funding being used to supplant rather than supplement other funds.

10-IV-L Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

	\$	\$
Beginning balance		513,406
Statewide sales, services and use tax		1,101,727
Interest income		15,031
Other income-ins proceeds		35,000
Bond issue proceeds		2,698,354
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements/equipment	861,241	
Debt service for school infrastructure:		
General obligation debt	420,217	1,281,458
Ending balance		3,082,060

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	.73	420,217
Physical plant and equipment levy	1.19	681,510