

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, 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, 2011, 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 February 28, 2012, 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those 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 10, 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

February 28, 2012

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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,779,280 in fiscal 2010 to 14,693,198 in fiscal 2011, while General Fund expenditures increased from \$13,533,166 in fiscal 2010 to \$13,916,494 in fiscal 2011. The District's General Fund balance increased from \$1,387,124 in fiscal 2010 to \$2,168,984 in fiscal 2011, a 56% increase.
- The fiscal year 2011 increase in General Fund revenue was attributable to the increases in property tax and state 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.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

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

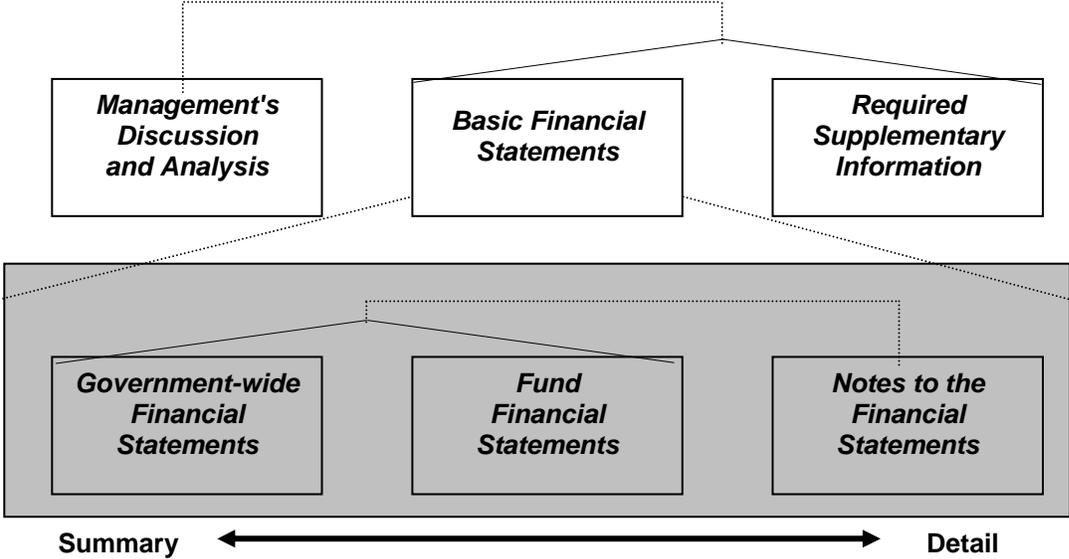


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| 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 early childhood enterprises | 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:

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

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

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

2. *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Early Childhood Enterprises.

The required financial statements for 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, 2011 compared to June 30, 2010.

Figure A-3

| | Condensed Statement of Net Assets | | | | | | Percentage Change 2010-2011 % |
|--|-----------------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|--|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 14,435,833 | 13,999,736 | 256,665 | 313,671 | 14,692,498 | 14,313,407 | -3% |
| Capital assets | 18,254,618 | 20,079,139 | 24,715 | 17,394 | 18,279,333 | 20,096,533 | 10% |
| Total assets | 32,690,451 | 34,078,875 | 281,380 | 331,065 | 32,971,831 | 34,409,940 | 4% |
| Long-term liabilities | 9,082,627 | 8,725,140 | 3,277 | 9,748 | 9,085,904 | 8,734,888 | -4% |
| Other liabilities | 9,210,291 | 10,274,943 | 34,339 | 35,218 | 9,244,630 | 10,310,161 | 12% |
| Total liabilities | 18,292,918 | 19,000,083 | 37,616 | 44,966 | 18,330,534 | 19,045,049 | 4% |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 13,058,393 | 12,999,139 | 24,715 | 17,394 | 13,083,108 | 13,016,533 | -1 |
| Restricted | 985,581 | 1,394,779 | - | - | 985,581 | 1,394,779 | 42 |
| Unrestricted | 353,559 | 684,874 | 219,049 | 268,705 | 572,608 | 953,579 | 67 |
| TOTAL NET ASSETS | 14,397,533 | 15,078,792 | 243,764 | 286,099 | 14,641,297 | 15,364,891 | 5% |

The District's combined total net assets increased by nearly 5%, or approximately \$723,594, 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 \$409,198 or 42% over the prior year. Most of the increase is due to an increase in the amount restricted for debt service.

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 \$380,971, or 67%.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2011.

Figure A-4

| | Change in Net Assets | | | | | | Percentage Change 2010-2011 % |
|---|----------------------------|-------------------|-----------------------------|----------------|--------------------------|-------------------|--|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 1,824,979 | 2,021,625 | 603,366 | 666,110 | 2,428,345 | 2,687,735 | 11% |
| Operating grants, contributions & restricted interest | 2,661,247 | 2,614,720 | 257,429 | 266,015 | 2,918,676 | 2,880,735 | -1% |
| Capital grants, contributions & restricted interest | - | 53,440 | - | - | - | 53,440 | 0% |
| General Revenues: | | | | | | | |
| Property taxes | 7,216,873 | 7,341,984 | - | - | 7,216,873 | 7,341,984 | 2% |
| Statewide sales and service tax | 1,101,727 | 1,098,842 | - | - | 1,101,727 | 1,098,842 | 0% |
| Unrestricted state grants | 3,692,942 | 4,450,658 | - | - | 3,692,942 | 4,450,658 | 21% |
| Unrestricted investment earnings | 63,078 | 41,484 | 2,278 | 3,516 | 65,356 | 45,000 | -31% |
| Other revenue | 13,478 | 29,227 | - | - | 13,478 | 29,227 | 117% |
| Total Revenues | 16,574,324 | 17,651,980 | 863,073 | 935,641 | 17,437,397 | 18,587,621 | 7% |
| Expenses: | | | | | | | |
| Instruction | 10,518,175 | 10,768,454 | - | - | 10,518,175 | 10,768,454 | 2% |
| Support services | 3,987,624 | 4,851,343 | - | - | 3,987,624 | 4,851,343 | 22% |
| Non-instructional programs | 3,550 | 4,666 | 815,398 | 893,306 | 818,948 | 897,972 | 10% |
| Other expenditures | 1,676,569 | 1,346,258 | - | - | 1,676,569 | 1,346,258 | -20% |
| Total expenses | 16,185,918 | 16,970,721 | 815,398 | 893,306 | 17,001,316 | 17,864,027 | 5% |
| CHANGE IN NET ASSETS | 388,406 | 681,259 | 47,675 | 42,335 | 436,081 | 723,594 | 66% |
| Net assets beginning of year | 14,009,127 | 14,397,533 | 196,089 | 243,764 | 14,205,216 | 14,641,297 | 3% |
| Net assets end of year | 14,397,533 | 15,078,792 | 243,764 | 286,099 | 14,641,297 | 15,364,891 | 5% |

In fiscal year 2011 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 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 7% increase in revenues and a 5% increase in expenses. Property tax increased \$125,111 to fund increase in expenses. The increases in expenses related to increase in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$17,651,980 and expenses were \$16,970,721. 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 | | |
|----------------------------|------------------------|-------------------|--------------------------|----------------------|-------------------|--------------------------|
| | 2010 | 2011 | Percent Change 2010-2011 | 2010 | 2011 | Percent Change 2010-2011 |
| | \$ | \$ | % | \$ | \$ | % |
| Instruction | 10,518,175 | 10,768,454 | 2% | 6,634,258 | 6,770,488 | 2% |
| Support Services | 3,987,624 | 4,851,343 | 22% | 3,948,042 | 4,787,484 | 21% |
| Non-instructional Programs | 3,550 | 4,666 | 31% | 3,550 | 4,666 | 31% |
| Other Expenses | 1,676,569 | 1,346,258 | -20% | 1,113,842 | 718,298 | -36% |
| TOTAL | 16,185,918 | 16,970,721 | 5% | 11,699,692 | 12,280,936 | 5% |

For the year ended June 30, 2011

- The cost financed by users of the District’s programs was \$2,021,625. 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 \$2,614,720.
- The net cost of governmental activities was financed with \$8,440,826 in property and local other taxes and \$4,450,658 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$935,641 and expenses were \$893,306. 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 \$3,711,285, well below last year’s ending fund balances of \$5,272,031. The primary reason for the decrease in the combined fund balances in Fiscal Year 2011 was the Capital Project expenditures for construction at the High School.

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 \$1,387,124 to \$2,168,984.
- The Capital Project Fund includes revenues from sales tax, from the physical plant and equipment property tax levy and from bond issues. These three revenue streams and the related expenditures are tracked separately in the District’s accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Physical Plant and Equipment Levy (PPEL) account balance increased from \$79,998 in fiscal 2010 to \$106,475 in fiscal 2011.

- The Sales Tax account balance decreased due to the construction expenses at the High School. The account balance decreased from \$3,071,137 in Fiscal Year 2010 to \$361,238 in Fiscal Year 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$140,585 at June 30, 2010 to \$129,850 at June 30, 2011, representing a decrease of approximately 8%. The decrease was caused by higher labor and food costs.

The Early Childhood Enterprises net assets increased from \$103,179 in 2010 to \$156,249 in 2011 representing an increase of approximately 51%. This increase was the result of higher revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sergeant Bluff-Luton Community School District amended its annual budget one time increasing expenditures by \$800,000 due to purchasing technology late in the year.

The District's receipts were \$500,441 less than budgeted receipts, a variance of 3%.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$20 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 increase of 10% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$711,971.

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 \$2,106,509 reported at June 30, 2011. The District has committed approximately \$600,000 to complete the construction. The District also purchased land for \$441,329 to build a future High School Campus.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental | | Business type | | Total | | Percentage Change 2010-2011 % |
|--------------------------|-------------------|-------------------|---------------|---------------|-------------------|-------------------|--|
| | Activities | | Activities | | School District | | |
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 823,906 | 1,265,235 | - | - | 823,906 | 1,265,235 | 54% |
| Construction in progress | 112,701 | 2,106,509 | - | - | 112,701 | 2,106,509 | 1,769% |
| Buildings | 15,866,737 | 15,383,854 | - | - | 15,866,737 | 15,383,854 | -3% |
| Improvements | 571,799 | 514,677 | - | - | 571,799 | 514,677 | -10% |
| Equipment & furniture | 879,475 | 808,864 | 24,715 | 17,394 | 904,190 | 826,258 | -9% |
| TOTAL | 18,254,618 | 20,079,139 | 24,715 | 17,394 | 18,279,333 | 20,096,533 | 10% |

Long-Term Debt

At June 30, 2011 the District had \$8,677,507 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a bond rating of A3 assigned by national rating agencies to the District's general obligation debt since 2001. The District's revenue bonds issued in 2010 carry an A+ rating.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of over \$30 million.

**Figure A-7
Outstanding Long-Term Obligations**

| | Total School District | | Percentage Change |
|--------------------------|------------------------------|------------------|--------------------------|
| | 2010 | 2011 | 2010-2011 |
| | \$ | \$ | % |
| General obligation bonds | 5,055,000 | 4,370,000 | -14% |
| Revenue bonds | 2,710,000 | 2,710,000 | 0% |
| Computer lease | 141,225 | - | -100% |
| Termination benefits | 614,999 | 589,533 | -4% |
| Net OPEB liability | 564,680 | 1,007,974 | 79% |
| | <u>9,085,904</u> | <u>8,677,507</u> | <u>-4%</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.
- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment decreased by 41 students. However, student open enrollment increased by 42 students.
- 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, 2011

| | Governmental Activities | Business Type | Total |
|---|----------------------------|------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 5,724,258 | 296,434 | 6,020,692 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 28,148 | - | 28,148 |
| Succeeding year | 7,464,975 | - | 7,464,975 |
| Due from other governments | 739,388 | - | 739,388 |
| Inventories | - | 17,237 | 17,237 |
| Unamortized bond issue costs | 42,967 | - | 42,967 |
| Capital assets, net of accumulated depreciation | 20,079,139 | 17,394 | 20,096,533 |
| Total assets | 34,078,875 | 331,065 | 34,409,940 |
| Liabilities | | | |
| Accounts payable | 992,635 | - | 992,635 |
| Salaries and benefits payable | 1,469,016 | 23,085 | 1,492,101 |
| Due to other governments | 303,900 | - | 303,900 |
| Accrued interest payable | 44,417 | - | 44,417 |
| Deferred revenue: | | | |
| Succeeding year property tax | 7,464,975 | - | 7,464,975 |
| Other | - | 12,133 | 12,133 |
| Long-term liabilities: | | | |
| Unamortized bond premium | 57,381 | - | 57,381 |
| Portion due within one year: | | | |
| General obligation bonds payable | 720,000 | - | 720,000 |
| Revenue bonds payable | 240,000 | - | 240,000 |
| Termination benefits | 124,621 | - | 124,621 |
| Portion due after one year: | | | |
| General obligation bonds payable | 3,650,000 | - | 3,650,000 |
| Revenue bonds payable | 2,470,000 | - | 2,470,000 |
| Termination benefits | 464,912 | - | 464,912 |
| Compensated absences | | | |
| Net OPEB liability | 998,226 | 9,748 | 1,007,974 |
| Total liabilities | 19,000,083 | 44,966 | 19,045,049 |
| Net assets | | | |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

| | Governmental Activities | Business Type | Total |
|---|----------------------------|-----------------------|--------------------------|
| | \$ | \$ | \$ |
| Invested in capital assets, net of related debt | 12,999,139 | 17,394 | 13,016,533 |
| Restricted for: | | | |
| Categorical funding | 220,605 | - | 220,605 |
| Physical plant and equipment levy | 106,475 | - | 106,475 |
| Student activities | 177,833 | - | 177,833 |
| School infrastructure | 365,392 | - | 365,392 |
| Debt service | 524,474 | - | 524,474 |
| Unrestricted | <u>684,874</u> | <u>268,705</u> | <u>953,579</u> |
| Total net assets | <u><u>15,078,792</u></u> | <u><u>286,099</u></u> | <u><u>15,364,891</u></u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|-------------------|-----------------------------|--|--|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 7,185,522 | 1,324,881 | 1,602,313 | - |
| Special | 1,980,844 | 296,387 | 288,937 | - |
| Other | 1,602,088 | 351,659 | 133,789 | - |
| | <u>10,768,454</u> | <u>1,972,927</u> | <u>2,025,039</u> | <u>-</u> |
| Support services: | | | | |
| Student | 264,105 | - | - | - |
| Instructional staff | 1,501,796 | - | - | - |
| Administration | 1,289,516 | - | - | - |
| Operation and maintenance of plant | 1,394,985 | 11,449 | 3,750 | - |
| Transportation | 400,941 | 37,249 | 11,411 | - |
| | <u>4,851,343</u> | <u>48,698</u> | <u>15,161</u> | <u>-</u> |
| Non-instructional programs | <u>4,666</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 50,042 | - | - | 53,440 |
| Long-term debt interest | 183,339 | - | 1,648 | - |
| AEA flowthrough | 572,872 | - | 572,872 | - |
| Depreciation (unallocated)* | 540,005 | - | - | - |
| | <u>1,346,258</u> | <u>-</u> | <u>574,520</u> | <u>53,440</u> |
| Total governmental activities | <u>16,970,721</u> | <u>2,021,625</u> | <u>2,614,720</u> | <u>53,440</u> |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 668,647 | 390,144 | 266,015 | - |
| Early childhood programs | 224,659 | 275,966 | - | - |
| Total business-type activities | <u>893,306</u> | <u>666,110</u> | <u>266,015</u> | <u>-</u> |
| Total | <u>17,864,027</u> | <u>2,687,735</u> | <u>2,880,735</u> | <u>53,440</u> |

General Revenues:

| |
|---------------------------------------|
| Property taxes levied for: |
| General purposes |
| Debt service |
| Capital outlay |
| Statewide sales, services and use 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 |
|----------------------------|--------------------------------|---------------------|
| \$ | \$ | \$ |
| (4,258,328) | - | (4,258,328) |
| (1,395,520) | - | (1,395,520) |
| (1,116,640) | - | (1,116,640) |
| <u>(6,770,488)</u> | <u>-</u> | <u>(6,770,488)</u> |
| (264,105) | - | (264,105) |
| (1,501,796) | - | (1,501,796) |
| (1,289,516) | - | (1,289,516) |
| (1,379,786) | - | (1,379,786) |
| (352,281) | - | (352,281) |
| <u>(4,787,484)</u> | <u>-</u> | <u>(4,787,484)</u> |
| (4,666) | - | (4,666) |
| 3,398 | - | 3,398 |
| (181,691) | - | (181,691) |
| - | - | - |
| (540,005) | - | (540,005) |
| <u>(718,298)</u> | <u>-</u> | <u>(718,298)</u> |
| <u>(12,280,936)</u> | <u>-</u> | <u>(12,280,936)</u> |
| - | (12,488) | (12,488) |
| - | 51,307 | 51,307 |
| - | 38,819 | 38,819 |
| <u>(12,280,936)</u> | <u>38,819</u> | <u>(12,242,117)</u> |
| 6,336,113 | - | 6,336,113 |
| 818,879 | - | 818,879 |
| 186,992 | - | 186,992 |
| 1,098,842 | - | 1,098,842 |
| 4,450,658 | - | 4,450,658 |
| 41,484 | 3,516 | 45,000 |
| 29,227 | - | 29,227 |
| <u>12,962,195</u> | <u>3,516</u> | <u>12,965,711</u> |
| 681,259 | 42,335 | 723,594 |
| <u>14,397,533</u> | <u>243,764</u> | <u>14,641,297</u> |
| <u>15,078,792</u> | <u>286,099</u> | <u>15,364,891</u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

| | <u>General</u> | <u>Capital</u> | <u>Nonmajor</u> | <u>Total</u> |
|--|-------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and pooled investments | 3,422,506 | 1,201,709 | 1,085,085 | 5,709,300 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 22,427 | 780 | 4,941 | 28,148 |
| Succeeding year | 6,039,418 | 193,257 | 1,232,300 | 7,464,975 |
| Due from other governments | 560,272 | 179,116 | - | 739,388 |
| | <u>10,044,623</u> | <u>1,574,862</u> | <u>2,322,326</u> | <u>13,941,811</u> |
| Total assets | | | | |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 63,305 | 909,738 | 19,592 | 992,635 |
| Salaries and benefits payable | 1,469,016 | - | - | 1,469,016 |
| Due to other governments | 303,900 | - | - | 303,900 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 6,039,418 | 193,257 | 1,232,300 | 7,464,975 |
| Total liabilities | <u>7,875,639</u> | <u>1,102,995</u> | <u>1,251,892</u> | <u>10,230,526</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 220,605 | - | - | 220,605 |
| Debt service | - | - | 568,891 | 568,891 |
| Management levy purposes | - | - | 323,710 | 323,710 |
| Student activities | - | - | 177,833 | 177,833 |
| School infrastructure | - | 365,392 | - | 365,392 |
| Physical plant and equipment | - | 106,475 | - | 106,475 |
| Unassigned | 1,948,379 | - | - | 1,948,379 |
| Total fund balances | <u>2,168,984</u> | <u>471,867</u> | <u>1,070,434</u> | <u>3,711,285</u> |
| | <u>10,044,623</u> | <u>1,574,862</u> | <u>2,322,326</u> | <u>13,941,811</u> |
| Total liabilities and fund balances | | | | |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

\$

| | |
|--|-----------|
| Total fund balances of governmental funds (Exhibit C) | 3,711,285 |
|--|-----------|

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

| | |
|--|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 20,079,139 |
|--|------------|

| | |
|--|--------|
| Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds. | 42,967 |
|--|--------|

| | |
|--|----------|
| 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. | (44,417) |
|--|----------|

| | |
|---|--------|
| An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program and flexible benefit plan to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | 14,958 |
|---|--------|

| | |
|---|--------------------|
| Long-term liabilities, including bonds payable, bond premiums, 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>(8,725,140)</u> |
|---|--------------------|

| | |
|--|--------------------------|
| Net assets of governmental activities (Exhibit A) | <u><u>15,078,792</u></u> |
|--|--------------------------|

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | General | Capital Projects | Nonmajor Governmental | Total |
|---|-------------------|---------------------|--------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 5,932,371 | 1,285,834 | 1,222,621 | 8,440,826 |
| Tuition | 1,461,934 | - | - | 1,461,934 |
| Other | 249,771 | 62,845 | 373,051 | 685,667 |
| State sources | 6,150,156 | 36 | 239 | 6,150,431 |
| Federal sources | 898,966 | - | - | 898,966 |
| Total revenues | <u>14,693,198</u> | <u>1,348,715</u> | <u>1,595,911</u> | <u>17,637,824</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 6,700,595 | 17,841 | 205,147 | 6,923,583 |
| Special | 1,932,308 | - | - | 1,932,308 |
| Other | 1,277,024 | - | 312,390 | 1,589,414 |
| | <u>9,909,927</u> | <u>17,841</u> | <u>517,537</u> | <u>10,445,305</u> |
| Support services: | | | | |
| Student | 254,357 | - | 3,276 | 257,633 |
| Instructional staff | 552,565 | 938,971 | 3,788 | 1,495,324 |
| Administration | 1,154,848 | 24,226 | 60,368 | 1,239,442 |
| Operation and maintenance of plant | 1,175,749 | 62,929 | 116,712 | 1,355,390 |
| Transportation | 296,176 | 46,100 | 12,643 | 354,919 |
| | <u>3,433,695</u> | <u>1,072,226</u> | <u>196,787</u> | <u>4,702,708</u> |
| Non-instructional programs | - | - | 4,666 | 4,666 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 2,485,179 | - | 2,485,179 |
| Long-term debt: | | | | |
| Principal | - | - | 826,225 | 826,225 |
| Interest and fiscal charges | - | - | 175,771 | 175,771 |
| AEA flowthrough | 572,872 | - | - | 572,872 |
| | <u>572,872</u> | <u>2,485,179</u> | <u>1,001,996</u> | <u>4,060,047</u> |
| Total expenditures | <u>13,916,494</u> | <u>3,575,246</u> | <u>1,720,986</u> | <u>19,212,726</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>776,704</u> | <u>(2,226,531)</u> | <u>(125,075)</u> | <u>(1,574,902)</u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | <u>General</u> | <u>Capital Projects</u> | <u>Nonmajor Governmental</u> | <u>Total</u> |
|--|-------------------------|-----------------------------|----------------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Other financing sources (uses): | | | | |
| Sale of real property | - | 9,000 | - | 9,000 |
| Sales of materials and equipment | 5,156 | - | - | 5,156 |
| Operating transfers in | - | - | 472,660 | 472,660 |
| Operating transfers out | - | (472,660) | - | (472,660) |
| Total other financing sources (uses) | <u>5,156</u> | <u>(463,660)</u> | <u>472,660</u> | <u>14,156</u> |
| Net change in fund balances | 781,860 | (2,690,191) | 347,585 | (1,560,746) |
| Fund balances beginning of year, as restated | <u>1,387,124</u> | <u>3,162,058</u> | <u>722,849</u> | <u>5,272,031</u> |
| Fund balances end of year | <u><u>2,168,984</u></u> | <u><u>471,867</u></u> | <u><u>1,070,434</u></u> | <u><u>3,711,285</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, 2011

| | \$ | \$ |
|---|------------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | (1,560,746) |
| <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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows: | | |
| Expenditures for capital assets | 2,516,593 | |
| Depreciation expense | <u>(692,072)</u> | 1,824,521 |
| 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. | | 826,225 |
| 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. | | (13,944) |
| 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 | 25,466 | |
| Other postemployment benefits | <u>(436,823)</u> | (411,357) |
| Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements. | | (4,774) |
| Bond premiums are reported as revenue in the governmental fund financial statements when incurred, but are amortized over the life of the bonds in the government-wide financial statements. | | 6,376 |
| An internal service fund is used by the District's management to charge the costs of the partially self-funded health insurance program and flexible benefit plan to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. | | <u>14,958</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>681,259</u></u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

| | Total Enterprise Funds <u> </u> \$ | Governmental Activities - Internal Service Fund <u> </u> \$ |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | 296,434 | 14,958 |
| Inventories | 17,237 | - |
| Capital assets, net of accumulated depreciation | <u>17,394</u> | <u>-</u> |
| Total assets | <u>331,065</u> | <u>14,958</u> |
| Liabilities | | |
| Salaries and benefits payable | 23,085 | - |
| Deferred revenue | 12,133 | - |
| Net OPEB liability | <u>9,748</u> | <u>-</u> |
| Total liabilities | <u>44,966</u> | <u>-</u> |
| Net assets | | |
| Invested in capital assets | 17,394 | - |
| Unrestricted | <u>268,705</u> | <u>14,958</u> |
| Total net assets | <u><u>286,099</u></u> | <u><u>14,958</u></u> |

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

Year ended June 30, 2011

| | Total Enterprise Funds \$ | Governmental Activities - Internal Service Fund \$ |
|------------------------------|------------------------------------|--|
| Operating revenue: | | |
| Local sources: | | |
| Charges for service | 666,110 | 131,678 |
| Operating expenses: | | |
| Salaries | 413,178 | - |
| Benefits | 85,064 | 116,720 |
| Purchased services | 6,829 | - |
| Supplies | 367,931 | - |
| Depreciation | 19,899 | - |
| Other | 405 | - |
| Total operating expenses | 893,306 | 116,720 |
| Operating income (loss) | (227,196) | 14,958 |
| Non-operating revenue: | | |
| State sources | 6,310 | - |
| Federal sources | 259,705 | - |
| Interest income | 3,516 | - |
| Total non-operating revenue | 269,531 | - |
| Change in net assets | 42,335 | 14,958 |
| Net assets beginning of year | 243,764 | - |
| Net assets end of year | 286,099 | 14,958 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

| | Total Enterprise Funds | Governmental Activities - Internal Service Fund |
|---|------------------------------|--|
| | \$ | \$ |
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | 383,829 | - |
| Cash received from early childhood services | 276,197 | - |
| Cash received from services provided to other funds | - | 131,678 |
| Cash payments to employees for services | (484,577) | (116,720) |
| Cash payments to suppliers for goods or services | (329,411) | - |
| Net cash (used) provided by operating activities | <u>(153,962)</u> | <u>14,958</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 6,310 | - |
| Federal grants received | 215,080 | - |
| Net cash provided by non-capital financing activities | <u>221,390</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | <u>(12,578)</u> | <u>-</u> |
| Cash flows from investing activities: | | |
| Interest on investments | <u>3,516</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 58,366 | 14,958 |
| Cash and cash equivalents at beginning of year | <u>238,068</u> | <u>-</u> |
| Cash and cash equivalents at end of year | <u><u>296,434</u></u> | <u><u>14,958</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | (227,196) | 14,958 |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | |
| Commodities used | 44,625 | - |
| Depreciation | 19,899 | - |
| Decrease (increase) in inventories | 1,129 | - |
| Decrease (increase) in accounts receivable | 231 | - |
| (Decrease) increase in salaries and benefits payable | 7,194 | - |
| (Decrease) increase in other postemployment benefits | 6,471 | - |
| (Decrease) increase in deferred revenue | (6,315) | - |
| Net cash (used) provided by operating activities | <u>(153,962)</u> | <u>14,958</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$44,625 of federal commodities.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

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 and other capital assets.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, Early Childhood Programs Fund. This School Nutrition Fund is used to account for the food service operations of the District. The Early Childhood Programs Fund is used to account for preschool and day care services provided by the District.

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's partially self-insured health insurance plan and flexible benefit plan.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010, through June 30, 2011, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

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, 2011, the District did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$561,036 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, 2011 is as follows:

| Transfer To | Transfer From | Amount |
|-------------------|-----------------------|---------|
| | | \$ |
| Debt Service Fund | Capital Projects Fund | 472,660 |

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|-------------------------|---------------|--------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | 112,701 | 1,993,808 | - | 2,106,509 |
| Land | <u>823,906</u> | <u>441,329</u> | - | <u>1,265,235</u> |
| Total capital assets not being depr. | <u>936,607</u> | <u>2,435,137</u> | - | <u>3,371,744</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 24,963,243 | - | - | 24,963,243 |
| Improvements other than buildings | 1,571,706 | - | - | 1,571,706 |
| Furniture and equipment | <u>1,629,660</u> | <u>81,456</u> | <u>24,100</u> | <u>1,687,016</u> |
| Total capital assets being deprec. | <u>28,164,609</u> | <u>81,456</u> | <u>24,100</u> | <u>28,221,965</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,096,506 | 482,883 | - | 9,579,389 |
| Improvements other than buildings | 999,907 | 57,122 | - | 1,057,029 |
| Furniture and equipment | <u>750,185</u> | <u>152,067</u> | <u>24,100</u> | <u>878,152</u> |
| Total accumulated depreciation | <u>10,846,598</u> | <u>692,072</u> | <u>24,100</u> | <u>11,514,570</u> |
| Total capital assets being depreciated, net | <u>17,318,011</u> | <u>(610,616)</u> | - | <u>16,707,395</u> |
| Governmental activities capital assets, net | <u><u>18,254,618</u></u> | <u><u>1,824,521</u></u> | - | <u><u>20,079,139</u></u> |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|----------------|-----------|------------------------|
| | \$ | \$ | \$ | \$ |
| Business type activities: | | | | |
| Furniture and equipment | 413,898 | 12,578 | - | 426,476 |
| Less accumulated depreciation | <u>389,183</u> | <u>19,899</u> | <u>-</u> | <u>409,082</u> |
| Business type activities capital assets, net | <u>24,715</u> | <u>(7,321)</u> | <u>-</u> | <u>17,394</u> |

Depreciation expense was charged to the following functions:

| | Amount |
|--|----------------|
| | \$ |
| Governmental activities: | |
| Instruction: | |
| Regular | 46,683 |
| Other | 2,967 |
| Support services: | |
| Operation and maintenance of plant services | 18,656 |
| Transportation | <u>83,761</u> |
| | 152,067 |
| Unallocated depreciation | <u>540,005</u> |
| Total depreciation expense – governmental activities | <u>692,072</u> |
| Business type activities: | |
| Food services | <u>19,899</u> |

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|---------------------------|---------------------------------|----------------|----------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | | |
| General obligation bonds | 5,055,000 | - | 685,000 | 4,370,000 | 720,000 |
| Revenue Bonds | 2,710,000 | - | - | 2,710,000 | 240,000 |
| Computer Lease | 141,225 | - | 141,225 | - | - |
| Termination benefits | 614,999 | 90,326 | 115,792 | 589,533 | 124,621 |
| Net OPEB liability | <u>561,403</u> | <u>436,823</u> | <u>-</u> | <u>998,226</u> | <u>-</u> |
| Total | <u>9,082,627</u> | <u>527,149</u> | <u>942,017</u> | <u>8,667,759</u> | <u>1,084,621</u> |
| Business type activities: | | | | | |
| Net OPEB liability | <u>3,277</u> | <u>6,471</u> | <u>-</u> | <u>9,748</u> | <u>-</u> |

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, 2011, the District has obligations to 18 participants with a total liability of \$589,788. Early retirement expenditures for the year ended June 30, 2011 totaled \$115,792.

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Refunding Bond Issue of May, 2010 | | | |
|-------------------------|-----------------------------------|------------------|----------------|------------------|
| | Interest Rates | Principal | Interest | Total |
| | % | \$ | \$ | \$ |
| 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 | 2.250-2.400 | 800,000 | 29,325 | 829,325 |
| 2016-2017 | 2.550-2.700 | 580,000 | 11,528 | 591,528 |
| | | <u>4,370,000</u> | <u>326,866</u> | <u>4,696,866</u> |

Revenue Bonds

Details of the District's June 30, 2011 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 |
| | % | \$ | \$ | \$ |
| 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 | 2.300 | 270,000 | 49,233 | 319,233 |
| 2017-2021 | 2.750-3.600 | 1,435,000 | 124,569 | 1,559,569 |
| | | <u>2,710,000</u> | <u>424,002</u> | <u>3,134,002</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 the costs of high school renovations. 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. Annual principal and interest payments on the bonds are expected to require nearly 30% of the statewide sales, services and use tax revenues. The total principal and interest remaining

to be paid on the notes is \$3,134,002. For the current year, no principal and \$48,292 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,098,842.

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 Debt Service 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.

6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$644,943, \$614,965, and \$550,905 respectively, equal to the required contributions for each year.

7. 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.

8. 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 \$572,872 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

9. Construction Commitment

The District has entered into contracts totaling \$2,501,741 for remodeling and roofing. As of June 30, 2011 costs of \$1,894,771 had been incurred against the contracts. The balances remaining at June 30, 2011 will be paid as work on the project progresses.

10. 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 135 active and 20 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|------------------|
| | \$ |
| Annual required contribution | 562,955 |
| Interest on net OPEB obligation | 16,492 |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | <u>579,447</u> |
| Contributions made | <u>136,153</u> |
| Increase in net OPEB obligation | 443,294 |
| Net OPEB obligation beginning of year | <u>564,680</u> |
| Net OPEB obligation end of year | <u>1,007,974</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, 2011.

For the year ended June 30, 2011, the District contributed \$136,153 to the medical plan. Plan members eligible for benefits contributed \$30,179 or 18%.

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, 2011 are summarized as follows:

| <u>Year Ended June 30,</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|----------------------------|-----------------------------|---|--------------------------------|
| | \$ | % | \$ |
| 2009 | 263,417 | 0% | 263,417 |
| 2010 | 467,876 | 35% | 564,860 |
| 2011 | 579,447 | 23% | 1,007,974 |

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$5,276,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,276,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,800,000, and the ratio of the UAAL to covered payroll was 67.6%. As of June 30, 2011, 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, 2010 actuarial valuation date, frozen entry age 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 formulas.

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

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

| Program | Amount |
|--|----------|
| | \$ |
| Teacher salary supplement | |
| Home school assistance program | 1,541 |
| Teacher salary supplement | 2,951 |
| Mentoring | 363 |
| Instructional support | 9,059 |
| Preschool | 145,287 |
| Professional development core curriculum | 56,027 |
| Professional development | 3,746 |
| Market factor | 1,631 |
| | 220,6055 |

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

| | Capital Projects | Special Revenue, Physical Plant and Equipment Levy |
|---|-------------------------|--|
| | \$ | \$ |
| Balances June 30, 2010, as previously reported | 3,082,060 | 79,998 |
| Change in fund type classification per implementation of GASB Statement No. 54 | <u>79,998</u> | <u>(79,998)</u> |
| Balances July 1, 2010, as restated | <u><u>3,162,058</u></u> | <u><u>-</u></u> |

13. Subsequent Event

The District issued \$600,000 of revenue bonds in July 2011 to pay for student computers that were purchased prior to June 30, 2011.

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, 2011

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|---|-----------------------------|----------------------------|-------------------------|-----------------------|-------------------------|---|
| | | | | Original | Amended Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 10,588,427 | 669,626 | 11,258,053 | 11,284,526 | 11,284,526 | (26,473) |
| State sources | 6,150,431 | 6,310 | 6,156,741 | 7,255,490 | 7,255,490 | (1,098,749) |
| Federal sources | 898,966 | 259,705 | 1,158,671 | 533,890 | 533,890 | 624,781 |
| Total revenues | <u>17,637,824</u> | <u>935,641</u> | <u>18,573,465</u> | <u>19,073,906</u> | <u>19,073,906</u> | <u>(500,441)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 10,445,305 | - | 10,445,305 | 12,182,160 | 12,182,160 | 1,736,855 |
| Support services | 4,702,708 | 32,475 | 4,735,183 | 5,069,563 | 5,869,563 | 1,134,380 |
| Non-instructional programs | 4,666 | 860,831 | 865,497 | 1,331,865 | 1,331,865 | 466,368 |
| Other expenditures | 4,060,047 | - | 4,060,047 | 6,133,631 | 6,133,631 | 2,073,584 |
| Total expenditures/expenses | <u>19,212,726</u> | <u>893,306</u> | <u>20,106,032</u> | <u>24,717,219</u> | <u>25,517,219</u> | <u>5,411,187</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (1,574,902) | 42,335 | (1,532,567) | (5,643,313) | (6,443,313) | 4,910,746 |
| Other financing sources (uses) net | <u>14,156</u> | <u>-</u> | <u>14,156</u> | <u>25,000</u> | <u>25,000</u> | <u>(10,844)</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses | (1,560,746) | 42,335 | (1,518,411) | (5,618,313) | (6,418,313) | 4,899,902 |
| Balance beginning of year | <u>5,272,031</u> | <u>243,764</u> | <u>5,515,795</u> | <u>5,957,265</u> | <u>5,957,265</u> | <u>(441,470)</u> |
| Balance end of year | <u><u>3,711,285</u></u> | <u><u>286,099</u></u> | <u><u>3,997,384</u></u> | <u><u>338,952</u></u> | <u><u>(461,048)</u></u> | <u><u>4,458,432</u></u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 \$800,000.

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, 2008 | - | 3,840,000 | 3,840,000 | 0.0% | 9,011,000 | 42.6% |
| 2010 | July 1, 2008 | - | 3,840,000 | 3,840,000 | 0.0% | 7,900,000 | 48.6% |
| 2011 | July 1, 2010 | - | 5,276,000 | 5,276,000 | 0.0% | 7,800,000 | 67.6% |

See Note 10 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, 2011

| Assets | Special Revenue Funds | | Debt Service | Total |
|--|-----------------------|---------------------|------------------|------------------|
| | Management Levy | Student Activity | | |
| | \$ | \$ | | |
| Cash and pooled investments | 338,997 | 180,612 | 565,476 | 1,085,085 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 1,526 | - | 3,415 | 4,941 |
| Succeeding year | 417,525 | - | 814,775 | 1,232,300 |
| Total assets | 758,048 | 180,612 | 1,383,666 | 2,322,326 |
| Liabilities & Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 16,813 | 2,779 | - | 19,592 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 417,525 | - | 814,775 | 1,232,300 |
| Total liabilities | 434,338 | 2,779 | 814,775 | 1,251,892 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 568,891 | 568,891 |
| Management levy purposes | 323,710 | - | - | 323,710 |
| Student activities | - | 177,833 | - | 177,833 |
| Total fund balances | 323,710 | 177,833 | 568,891 | 1,070,434 |
| Total liabilities and fund balances | 758,048 | 180,612 | 1,383,666 | 2,322,326 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | Special Revenue Funds | | | Total |
|--|-----------------------|-----------------------|-----------------------|-------------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 403,742 | - | 818,879 | 1,222,621 |
| Other | 18,498 | 352,905 | 1,648 | 373,051 |
| State sources | 83 | - | 156 | 239 |
| Total revenues | <u>422,323</u> | <u>352,905</u> | <u>820,683</u> | <u>1,595,911</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 205,147 | - | - | 205,147 |
| Other instruction | - | 312,390 | - | 312,390 |
| Support services: | | | | |
| Student services | 3,276 | - | - | 3,276 |
| Instructional staff services | 3,788 | - | - | 3,788 |
| Administration services | 60,368 | - | - | 60,368 |
| Operation and maintenance of plant services | 116,712 | - | - | 116,712 |
| Transportation services | 12,643 | - | - | 12,643 |
| Non-instructional programs | 4,666 | - | - | 4,666 |
| Other expenditures: | | | | |
| Long-term debt: | | | | |
| Principal | - | - | 826,225 | 826,225 |
| Interest and fiscal charges | - | - | 175,771 | 175,771 |
| Total expenditures | <u>406,600</u> | <u>312,390</u> | <u>1,001,996</u> | <u>1,720,986</u> |
| Excess (deficiency) of revenues over (under) expenditures | 15,723 | 40,515 | (181,313) | (125,075) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 472,660 | 472,660 |
| Net change in fund balances | 15,723 | 40,515 | 291,347 | 347,585 |
| Fund balances beginning of year, as restated | <u>307,987</u> | <u>137,318</u> | <u>277,544</u> | <u>722,849</u> |
| Fund balances end of year | <u><u>323,710</u></u> | <u><u>177,833</u></u> | <u><u>568,891</u></u> | <u><u>1,070,434</u></u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

| | Enterprise Funds | | |
|---|---------------------|--------------------------------|----------------|
| | School Nutrition | Early Childhood Programs | Total |
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 124,697 | 171,737 | 296,434 |
| Inventories | 17,237 | - | 17,237 |
| Capital assets, net of accumulated depreciation | 17,394 | - | 17,394 |
| Total assets | <u>159,328</u> | <u>171,737</u> | <u>331,065</u> |
| Liabilities | | | |
| Salaries and benefits payable | 7,597 | 15,488 | 23,085 |
| Deferred revenue | 12,133 | - | 12,133 |
| Net OPEB liability | 9,748 | - | 9,748 |
| Total liabilities | <u>29,478</u> | <u>15,488</u> | <u>44,966</u> |
| Net assets | | | |
| Invested in capital assets | 17,394 | - | 17,394 |
| Unrestricted | 112,456 | 156,249 | 268,705 |
| Total net assets | <u>129,850</u> | <u>156,249</u> | <u>286,099</u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

| | Enterprise Funds | | |
|------------------------------|---------------------|--------------------------------|-----------|
| | School Nutrition | Early Childhood Programs | Total |
| | \$ | \$ | \$ |
| Operating revenue: | | | |
| Local sources: | | | |
| Charges for service | 390,144 | 275,966 | 666,110 |
| Operating expenses: | | | |
| Salaries | 240,288 | 172,890 | 413,178 |
| Benefits | 51,456 | 33,608 | 85,064 |
| Purchased services | 2,664 | 4,165 | 6,829 |
| Supplies | 353,935 | 13,996 | 367,931 |
| Depreciation | 19,899 | - | 19,899 |
| Other | 405 | - | 405 |
| Total operating expenses | 668,647 | 224,659 | 893,306 |
| Operating income (loss) | (278,503) | 51,307 | (227,196) |
| Non-operating revenue: | | | |
| State sources | 6,310 | - | 6,310 |
| Federal sources | 259,705 | - | 259,705 |
| Interest income | 1,753 | 1,763 | 3,516 |
| Total non-operating revenue | 267,768 | 1,763 | 269,531 |
| Change in net assets | (10,735) | 53,070 | 42,335 |
| Net assets beginning of year | 140,585 | 103,179 | 243,764 |
| Net assets end of year | 129,850 | 156,249 | 286,099 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

| | Enterprise Funds | | |
|---|-----------------------|--------------------------------|-----------------------|
| | School Nutrition | Early Childhood Programs | Total |
| | \$ | \$ | \$ |
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | 383,829 | - | 383,829 |
| Cash received from early childhood services | - | 276,197 | 276,197 |
| Cash payments to employees for services | (285,697) | (198,880) | (484,577) |
| Cash payments to suppliers for goods or services | (311,250) | (18,161) | (329,411) |
| Net cash (used) provided by operating activities | <u>(213,118)</u> | <u>59,156</u> | <u>(153,962)</u> |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 6,310 | - | 6,310 |
| Federal grants received | 215,080 | - | 215,080 |
| Net cash provided by non-capital financing activities | <u>221,390</u> | <u>-</u> | <u>221,390</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets | <u>(12,578)</u> | <u>-</u> | <u>(12,578)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>1,753</u> | <u>1,763</u> | <u>3,516</u> |
| Net increase (decrease) in cash and cash equivalents | (2,553) | 60,919 | 58,366 |
| Cash and cash equivalents at beginning of year | <u>127,250</u> | <u>110,818</u> | <u>238,068</u> |
| Cash and cash equivalents at end of year | <u><u>124,697</u></u> | <u><u>171,737</u></u> | <u><u>296,434</u></u> |
| Reconciliation of operating income (loss) to net cash (used) provided by operating activities: | | | |
| Operating income (loss) | (278,503) | 51,307 | (227,196) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | | | |
| Commodities used | 44,625 | - | 44,625 |
| Depreciation | 19,899 | - | 19,899 |
| Decrease (increase) in inventories | 1,129 | - | 1,129 |
| Decrease (increase) in accounts receivable | - | 231 | 231 |
| (Decrease) increase in salaries and benefits payable | (424) | 7,618 | 7,194 |
| (Decrease) increase in other postemployment benefits | 6,471 | - | 6,471 |
| (Decrease) increase in deferred revenue | (6,315) | - | (6,315) |
| Net cash (used) provided by operating activities | <u>(213,118)</u> | <u>59,156</u> | <u>(153,962)</u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

| Assets | Capital Projects | | | Total |
|--|------------------|--|--|------------------|
| | Construction | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| | \$ | \$ | \$ | \$ |
| Cash and pooled investments | 201,466 | 892,266 | 107,977 | 1,201,709 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 780 | 780 |
| Succeeding year | - | - | 193,257 | 193,257 |
| Due from other governments | - | 179,116 | - | 179,116 |
| Total assets | 201,466 | 1,071,382 | 302,014 | 1,574,862 |
| Liabilities & Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 197,312 | 710,144 | 2,282 | 909,738 |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | - | 193,257 | 193,257 |
| Total liabilities | 197,312 | 710,144 | 195,539 | 1,102,995 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 4,154 | 361,238 | - | 365,392 |
| Physical plant and equipment | - | - | 106,475 | 106,475 |
| Total fund balances | 4,154 | 361,238 | 106,475 | 471,867 |
| Total liabilities and fund balances | 201,466 | 1,071,382 | 302,014 | 1,574,862 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

| | Capital Projects | | | Total |
|---|------------------|--|--|-------------|
| | Construction | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | - | 1,098,842 | 186,992 | 1,285,834 |
| Other | - | 33,440 | 29,405 | 62,845 |
| State sources | - | - | 36 | 36 |
| Total revenues | - | 1,132,282 | 216,433 | 1,348,715 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | - | 17,841 | - | 17,841 |
| Support services: | | | | |
| Instructional staff services | - | 938,971 | - | 938,971 |
| Administration services | 7,431 | - | 16,795 | 24,226 |
| Operation and maintenance of plant | - | 16,000 | 46,929 | 62,929 |
| Transportation services | - | - | 46,100 | 46,100 |
| Other expenditures: | | | | |
| Facilities acquisition | 1,738,243 | 657,804 | 89,132 | 2,485,179 |
| Total expenditures | 1,745,674 | 1,630,616 | 198,956 | 3,575,246 |
| Excess (deficiency) of revenues over (under) expenditures | (1,745,674) | (498,334) | 17,477 | (2,226,531) |
| Other financing sources (uses): | | | | |
| Sale of real property | - | - | 9,000 | 9,000 |
| Intrafund transfers | 1,738,905 | (1,738,905) | - | - |
| Operating transfers out | - | (472,660) | - | (472,660) |
| Total other financing sources (uses) | 1,738,905 | (2,211,565) | 9,000 | (463,660) |
| Net change in fund balance | (6,769) | (2,709,899) | 26,477 | (2,690,191) |
| Fund balances beginning of year, as restated | 10,923 | 3,071,137 | 79,998 | 3,162,058 |
| Fund balance end of year | 4,154 | 361,238 | 106,475 | 471,867 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Balance End of Year</u> |
|-------------------------------|--|-----------------|---------------------|--------------------------------|
| | \$ | \$ | \$ | \$ |
| Unallocated interest | 6,059 | 1,468 | 300 | 7,227 |
| Field trips | 193 | - | - | 193 |
| Quiz bowl | 4 | - | - | 4 |
| Parent-teacher organization | 123 | - | - | 123 |
| After school activities | 965 | - | - | 965 |
| Primary special projects | 8,202 | 1,892 | 3,244 | 6,850 |
| Elementary instrumental music | 55 | 60 | - | 115 |
| Elementary special projects | 4,590 | 907 | 1,875 | 3,622 |
| Elementary vocal music | 395 | 43 | - | 438 |
| Instrumental music | 682 | 80 | 214 | 548 |
| Jr. high football | 880 | 1,650 | 1,349 | 1,181 |
| 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 | 1,130 | 389 | 697 | 822 |
| 6th grade class | 1,559 | 430 | 260 | 1,729 |
| Music magazine sales | 1,733 | 4,210 | 2,921 | 3,022 |
| Jr. high cheerleaders | 1,295 | - | - | 1,295 |
| Jr. high yearbook | 1,760 | 3,923 | 229 | 5,454 |
| L.A. experience | 641 | - | 300 | 341 |
| Jr. high athletics/juice | 3,495 | 2,532 | 3,429 | 2,598 |
| Student council | 522 | 844 | 204 | 1,162 |
| Middle school projects | 9,291 | 2,077 | 4,563 | 6,805 |
| Theater/plays | 659 | 1,197 | 787 | 1,069 |
| Speech | 30 | 1,854 | 1,877 | 7 |
| Music trip/fundraisers | 5,226 | 10,848 | 6,777 | 9,297 |
| Instrumental music | 1,899 | 5,312 | 4,545 | 2,666 |
| Athletics | 15,661 | 81,997 | 84,916 | 12,742 |
| Warrior zone | - | 22,700 | 13,154 | 9,546 |
| Cross country | 704 | 2,000 | 2,324 | 380 |
| Boys basketball | 1,992 | 9,479 | 7,026 | 4,445 |
| Football | 8,261 | 38,166 | 32,748 | 13,679 |
| Boys soccer | 96 | - | 96 | - |
| Baseball | 1,874 | 500 | 582 | 1,792 |
| Boys track | 685 | 2,440 | 2,573 | 552 |
| Wrestling | 8,419 | 10,894 | 10,313 | 9,000 |
| Girls basketball | 4,056 | 8,781 | 6,188 | 6,649 |
| Volleyball | 2,234 | 5,219 | 5,519 | 1,934 |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Balance End of Year</u> |
|--------------------------------|--|-----------------|---------------------|--------------------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Girls soccer | 328 | 3,079 | 2,736 | 671 |
| Girls track | 361 | 4,113 | 3,594 | 880 |
| Girls golf | - | 356 | 356 | - |
| National Honor Society | 1,000 | 592 | 787 | 805 |
| History/literature renaissance | 368 | 11,062 | 9,169 | 2,261 |
| Class of 2010 | 3,547 | - | 428 | 3,119 |
| Class of 2011 | 5,030 | 485 | 5,515 | - |
| Class of 2012 | 252 | 27,056 | 19,101 | 8,207 |
| Class of 2013 | 591 | 645 | 600 | 636 |
| Class of 2014 | - | 580 | 275 | 305 |
| Select vocal fundraisers | 4,736 | 8,742 | 9,572 | 3,906 |
| HS solo/ensemble contest | 1,161 | 2,039 | 1,982 | 1,218 |
| S.T.E.P. | 1,022 | - | - | 1,022 |
| Cheerleaders | 2,433 | 5,065 | 4,185 | 3,313 |
| Dance team | 331 | 26,040 | 22,582 | 3,789 |
| Spirit council | 658 | - | - | 658 |
| High school yearbook | 9,474 | 14,690 | 15,379 | 8,785 |
| Senior composite fees | 339 | 1,800 | 1,785 | 354 |
| Weight training | 1,164 | 13,193 | 4,535 | 9,822 |
| JEL | 900 | 1,275 | 1,018 | 1,157 |
| H.S. student council | 916 | 5,390 | 3,845 | 2,461 |
| Art | 416 | - | - | 416 |
| H.S. special projects | 5,470 | 4,811 | 5,936 | 4,345 |
| | <u>137,318</u> | <u>352,905</u> | <u>312,390</u> | <u>177,833</u> |
| Total | <u>137,318</u> | <u>352,905</u> | <u>312,390</u> | <u>177,833</u> |

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types
For the Last Eight Years

| | Modified Accrual Basis | | | | | | | |
|------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | | | |
| Local sources: | | | | | | | | |
| Local tax | 8,440,826 | 8,318,600 | 8,011,791 | 7,019,867 | 7,316,491 | 6,465,923 | 5,998,219 | 5,943,864 |
| Tuition | 1,461,934 | 1,365,379 | 1,139,145 | 1,157,107 | 1,015,877 | 1,044,679 | 858,968 | 754,831 |
| Other | 685,667 | 538,529 | 533,552 | 638,519 | 785,597 | 669,794 | 940,666 | 771,709 |
| Intermediate sources | - | - | - | - | - | - | 9,979 | 307 |
| State sources | 6,150,431 | 5,143,300 | 6,123,887 | 6,185,181 | 5,765,915 | 5,137,720 | 4,328,379 | 4,221,400 |
| Federal sources | 898,966 | 1,210,887 | 589,517 | 296,929 | 270,074 | 287,538 | 329,296 | 277,837 |
| Total revenues | 17,637,824 | 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 | 6,923,583 | 6,511,687 | 6,514,869 | 6,244,336 | 5,807,217 | 5,473,708 | 4,847,222 | 4,533,294 |
| Special instruction | 1,932,308 | 1,997,077 | 2,007,652 | 1,729,998 | 1,760,360 | 2,269,295 | 1,420,136 | 2,011,736 |
| Other instruction | 1,589,414 | 1,579,469 | 1,323,893 | 1,269,199 | 1,547,093 | 677,543 | 1,382,874 | 678,780 |
| Support services: | | | | | | | | |
| Student services | 257,633 | 264,747 | 269,104 | 297,877 | 246,762 | 253,540 | 237,723 | 219,502 |
| Instructional staff services | 1,495,324 | 645,332 | 504,591 | 510,197 | 996,482 | 463,075 | 430,308 | 565,179 |
| Administration services | 1,239,442 | 1,217,581 | 1,259,866 | 1,260,230 | 1,256,971 | 1,125,400 | 1,044,457 | 992,155 |
| Operation and maintenance | 1,355,390 | 1,414,194 | 1,356,104 | 1,260,374 | 1,294,036 | 1,229,748 | 1,020,012 | 991,911 |
| Transportation services | 354,919 | 367,163 | 297,655 | 548,002 | 582,402 | 337,107 | 218,652 | 237,016 |
| Central support services | - | - | - | - | - | - | - | 3,816 |
| Non-instructional programs | 4,666 | 3,550 | 3,247 | 1,456 | 1,637 | 2,960 | 58,195 | 4,027 |
| Other expenditures: | | | | | | | | |
| Facilities acquisition | 2,485,179 | 644,245 | 1,560,060 | 788,895 | 674,669 | 433,222 | 337,955 | 1,707,704 |
| Long-term debt: | | | | | | | | |
| Principal | 826,255 | 5,823,661 | 741,501 | 749,217 | 600,000 | 915,000 | 890,000 | 860,000 |
| Interest and other charges | 175,771 | 256,919 | 235,961 | 230,645 | 347,247 | 471,358 | 408,703 | 437,458 |
| AEA flowthrough | 572,872 | 561,727 | 510,399 | 485,234 | 459,361 | 404,912 | 361,008 | 355,163 |
| Total expenditures | 19,212,756 | 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, 2011

| <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 | FY11 | 24,613 |
| National School Lunch Program (non-cash) | 10.555 | FY11 | 44,625 |
| National School Lunch Program | 10.555 | FY11 | 190,467 |
| | | | <u>259,705</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I, Part A Cluster: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY11 | 99,177 |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | FY11 | 9,740 |
| | | | <u>108,917</u> |
| Advanced Placement Program | 84.330 | FY11 | 114 |
| Improving Teacher Quality State Grants | 84.367 | FY11 | 42,063 |
| Grants for State Assessments and Related Activities | 84.369 | FY11 | 9,815 |
| State Fiscal Stabilization Fund Cluster: | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act | 84.394 | FY11 | 94,002 |
| ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act | 84.397 | FY11 | 64,934 |
| | | | <u>158,936</u> |
| Education Jobs Fund | 84.410 | FY11 | 276,619 |
| Northwest Area Education Agency: | | | |
| Special Education Cluster (IDEA): | | | |
| Special Education - Grants to States | 84.027 | FY11 | 70,783 |
| ARRA - Special Education Grants to States, Recovery Act | 84.391 | FY11 | 7,872 |
| | | | <u>78,655</u> |
| Career and Technical Education - Basic Grants to States | 84.048 | FY11 | 8,664 |
| English Language Acquisition Grants | 84.365 | FY11 | 1,265 |
| U.S. Department Homeland Security: | | | |
| Iowa Department of Homeland Security and Emergency Management: | | | |
| Disaster Grants - Public Assistance | 97.036 | FY11 | 3,750 |
| Total | | | <u><u>948,503</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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. 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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 11-II-A to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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

February 28, 2012

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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, 2011. Sergeant Bluff-Luton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item 11-III-B in the accompanying Schedule of Findings and Questioned Costs.

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 the 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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 deficiencies in internal control over compliance we consider to be a 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items 11-III-A and 11-III-B to be material weaknesses.

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 the responses.

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

February 28, 2012

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was 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) Material weaknesses in internal control over the major programs were 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:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.410 – Education Jobs Fund
- (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, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiency:

11-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, payroll processing, preparing checks and bank reconciliations, preparing 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.

Instances of Noncompliance:

No matters were reported.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year 2011
U.S. Department of Education
Passed through the Iowa Department of Education

11-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, payroll processing, preparing checks and bank reconciliations, preparing 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.

Instances of Non-Compliance and Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

11-III-B Procurement: The grant requires that a bidding or quotation process be used for acquiring food and supplies. The District obtained bids for milk and bread products and was a member of a purchasing consortium for other food and supplies purchases. The consortium had used a bidding process and had a market basket of products that members could purchase for their food service programs. If the school purchased any other products it was required to obtain bids or quotes for those products and maintain records of the bids or quotes received. We noted that the District did purchase other products, but did not maintain any documentation of the process used for the bids or quotes received.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards (continued):

Recommendation: The food service director should attend training pertaining to procurement requirements for the School Nutrition Program. The District should begin documenting the process used and the bids and quotes obtained for items purchased that are not covered by the milk or bread bids or included in the consortium market basket. All School Nutrition Program records should be kept for five years.

District Response: We will immediately begin documenting the bid process used and results. Records will be kept for five years. We will also investigate training opportunities for the food service director.

Conclusion: Response accepted.

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SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- 11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
- 11-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.
- 11-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.
- 11-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 | Repairs & equipment (bid) | 41,312 |
| Owner C.W Suter and Star Controls | Repairs & equipment (not bid) | 2,266 |

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

- 11-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.
- 11-IV-F Board Minutes: We noted no transactions requiring board approval that had not been approved by the Board.
- 11-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2010, was understated by 27 students. The District misunderstood how preschool students were to be counted.

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

District Response: We will contact these departments.

Conclusion: Response accepted.
- 11-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-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.
- 11-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, 2011

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

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

11-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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | \$ | \$ |
|--|-----------|-----------|
| Beginning balance | | 3,071,137 |
| Revenues/transfers in: | | |
| Statewide sales, services and use tax revenue | 1,098,842 | |
| Interest | 33,440 | 1,132,282 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 208,436 | |
| Land purchased | 441,329 | |
| Equipment | 935,388 | |
| Other | 45,463 | |
| Transfer to capital projects construction fund | 1,738,905 | |
| Transfers to debt service fund | 472,660 | 3,842,181 |
| Ending balance | | 361,238 |

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

11-IV-M Bank Accounts not in School's Accounting Records: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. During the audit we noted school bank accounts for the Flexible Benefit Plan \$8,841, the Partially Self-Funded Health Plan \$6,115, the Strength Program \$1,291, the Spirit Spot \$12,204. These accounts were not included in the District's accounting records, bills were not approved by the board or published, and checks were not signed by the board secretary and board president. The District did adjust the June 30, 2011 financial statements for the Flexible Benefit Plan and the Partially Self-Funded Health Plan.

Recommendation: These bank accounts should be brought into the District's accounting records and the District should follow the legal requirements for public funds for these accounts.

SERGEANT BLUFF-LUTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

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

District Response: These bank accounts will become part of the District's accounting records and we will follow the same requirements for these accounts as all other public money.

Conclusion: Response accepted.

11-IV-N Proceeds from Rent of Land: Chapter 297.10 of the Code of Iowa requires that rent received for the use of school buildings or grounds be placed in the General Fund. We noted that \$9,405 of rent, received for the use of District land, was placed in the Physical Plant and Equipment Account.

Recommendation: The Physical Plant and Equipment account should reimburse the General Fund for the \$9,405 and future rent income should be recorded in the General Fund.

District Response: We will make the adjustment and record future rents in the General Fund.

Conclusion: Response accepted.

11-IV-O Student Activity Fund Transactions: The Student Activity Fund is to be used for co-curricular or extra-curricular student activities only. Each account within the Student Activity Fund should be for a specific co-curricular or extra-curricular student activity. There should be no miscellaneous type accounts. We noted accounts in the Student Activity Fund for field trips, elementary special projects and high school special projects. Field trips are instructional in nature and should be accounted for in the General Fund. The special project accounts appear to be miscellaneous accounts.

Recommendation: The District should review the types of transactions in the Student Activity Fund. Any transactions or accounts that are not for specific student extra-curricular or co-curricular activities should be moved to the proper fund.

District Response: We will review the types of transactions recorded in the Student Activity Fund.

Conclusion: Response accepted.